

South Texas Project Electric Generating Station P.O. Box 289 Wadsworth, Texas 77483

September 15, 2009

NOC-AE-09002457

File No.: D57, G25

10 CFR 50.75

U. S. Nuclear Regulatory Commission  
Attention: Document Control Desk  
One White Flint North  
11555 Rockville Pike  
Rockville, MD 20852-2738

South Texas Project  
Units 1 and 2  
Docket Nos. STN 50-498, STN 50-499  
Nuclear Decommissioning Trust Fund Agreements (Updated)

- References:
1. Correspondence, George Harrison to NRC Document Control Desk, "2009 Decommissioning Funding Status Report," dated March 31, 2009 (NOC-AE-09002406) (ML090970280)
  2. Correspondence, George R. Harrison to NRC Document Control Desk, "Notice Regarding Amendments to Nuclear Decommissioning Trust Agreements, dated March 3, 2009 (NOC-AE-09002401) (ML090680769)

STP Nuclear Operating Company (STPNOC) submits the attached updates to the nuclear decommissioning trust (NDT) agreements for the South Texas Project. These agreements govern the NDTs maintained by NRG South Texas LP (NRG) and the City Public Service Board of San Antonio (CPS) in accordance with 10 CFR 50.75(e) and (h). Notice of the changes was previously provided in the referenced correspondence.

NRG owns a total 44% undivided ownership interest in South Texas Project (STP) Unit 1 and a total 44% undivided ownership interest in STP Unit 2. The associated decommissioning funds are held in two NDTs maintained by NRG. NRG maintains separate NDT arrangements for its 30.8% interests that were previously owned by Houston Lighting & Power Company and for its 13.2% interests that were previously owned by AEP Texas Central Company (TCC). The executed NDT agreements are provided in Attachments 1 and 2.

Further information regarding these amended NDT agreements was provided in Attachment 1 to STPNOC's decommissioning funding status report for 2009 (reference 1). In accordance with the terms of the NDT agreements and as mandated by applicable license conditions, prior written notice regarding the above NDT amendments was submitted to the NRC by correspondence listed above (reference 2).

CPS owns a total 40% undivided ownership interest in STP Unit 1 and a total 40% undivided ownership interest in STP Unit 2. The associated decommissioning funds are held in two NDTs maintained by CPS. CPS maintains separate NDT arrangements for its 28% interests in STP that it has owned since construction of STP and for its 12% interests that were acquired from TCC. The executed NDT agreements are provided in Attachments 3 and 4.

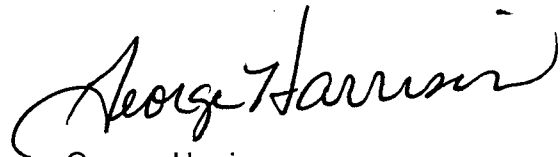
A001  
NRG

Further information regarding these amended NDT agreements was provided in Attachment 2 to STPNOC's 10 CFR 50.75(f) report (reference 1). The CPS NDTs are subject to the regulations in 10 CFR 50.75(h)(2), which does not include any requirement for prior written notice to NRC regarding material NDT agreement amendments.

The City of Austin owns the remaining 16% undivided ownership interests in STP Unit 1 and Unit 2. However, there are no amendments to the City of Austin NDTs to report at this time.

There are no commitments in this letter.

If there are any questions, please contact either Mr. Philip L. Walker at (361) 972-8392 or me at (361) 972-8074.



George Harrison  
Director, Finance

PLW

- Attachments:
1. NRG South Texas LP, Fourth Amended and Restated Decommissioning Master Trust Agreement for the South Texas Project, dated July 13, 2009.
  2. NRG South Texas LP, Second Amended and Restated Decommissioning Master Trust Agreement No. 2 for the South Texas Project, dated July 13, 2009.
  3. City Public Service Restated Decommissioning Master Trust Agreement for the South Texas Project (CPS Trust), Revised March 31, 2009.
  4. City Public Service Restated Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company: Master Trust (TCC Funded), Revised February 4, 2009.

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**DOCKET NO. 36796**

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**NRG SOUTH TEXAS LP**  
**FOURTH AMENDED AND RESTATED**  
**DECOMMISSIONING MASTER TRUST AGREEMENT FOR**  
**THE SOUTH TEXAS PROJECT**

**July 13, 2009**

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**EXHIBITS**

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Exhibit D	Investment Parameters

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**FOURTH AMENDED AND RESTATED**  
**DECOMMISSIONING MASTER TRUST AGREEMENT**  
**FOR THE SOUTH TEXAS PROJECT**

THIS TRUST AGREEMENT originally made July 2, 1990, amended and restated as of the 1st day of October, 1991, further amended by the First Amendment dated as of December 30, 1996, further amended and restated as of August 31, 2002, further amended and restated as of July 10, 2006, is further amended and restated as of July 13, 2009, by and between NRG South Texas LP, a Texas limited partnership (the "Company"), and The Bank of New York Mellon (successor by operation of law to Mellon Bank, N.A.), a New York state bank having trust powers (the "Trustee");

WHEREAS, the Trust was originally established by Houston Lighting & Power Company, assumed by Reliant Energy, Incorporated ("Reliant Energy") and later assigned to the Company (which was formerly known as Texas Genco, LP); and

WHEREAS, the Company is the owner of: (1) a 30.8 percent undivided interest in Unit No. One of the South Texas Project Electric Generating Station ("STP Unit No. 1"); (2) a 30.8 percent undivided interest in Unit No. Two of the South Texas Project Electric Generating Station (STP Unit No. 2"); and (3) a 30.8 percent undivided interest in certain facilities serving both STP Unit No. 1 and STP Unit No. 2 (the "Common Facilities"); and

WHEREAS, the Company for purposes of this Trust is subject to regulation by the Public Utility Commission of Texas (the "PUC"), an agency of the State of Texas, and by the Nuclear Regulatory Commission (the "NRC"), an agency of the United States government; and

WHEREAS, the NRC has promulgated regulations in Title 10, Chapter 1 of the Code of Federal Regulations, Part 50, requiring the Company, as a holder of a license issued pursuant to

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10 C.F.R., Part 50, to provide assurance that funds will be available when needed for required decommissioning activities; and

WHEREAS, pursuant to Section 468A of the Internal Revenue Code of 1986, certain federal income tax benefits are available to the Company by creating and funding qualified decommissioning funds associated with the South Texas Project Electric Generating Station; and

WHEREAS, the PUC has permitted CenterPoint Energy Houston Electric, LLC, a Texas limited liability company ("WiresCo"), on behalf of the Company to include in its cost of service for ratemaking purposes certain amounts to be contributed by the Company or by WiresCo on behalf of the Company to decommissioning funds in order to provide monies for the Company's share of decommissioning costs with respect to the South Texas Project; and

WHEREAS, the Company wishes to maintain the qualified trust fund originally established with respect to each of STP Unit No. 1 and STP Unit No. 2 and one or more non-qualified trust funds with respect to STP Unit No. 1 and STP Unit No. 2 to accumulate monies with which to pay the Company's share of decommissioning costs for such Units and the Common Facilities;

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company hereby agrees to deliver or have delivered to the Trustee, and the Trustee hereby agrees to continue to receive, the Contributions of monies to the Master Trust made by or on behalf of the Company;

TO HAVE AND TO HOLD such monies and such additional monies as may from time to time be added thereto as provided herein, together with the proceeds and reinvestments thereof (hereinafter collectively called the "Master Trust");



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IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions hereinafter set forth:

**ARTICLE I**

**DEFINITIONS, PURPOSE AND NAME**

1.01 Definitions. As used in this Agreement, the following terms shall have the following meanings:

(a) "Accounting Period" shall mean a tax year, as interpreted in accordance with the Code; Accounting Periods shall end on December 31 of each year.

(b) "Administrative Costs" shall mean all ordinary and necessary expenses and other incidental costs incurred in connection with the operation of the Funds, including, but not limited to, taxes, Trustee fees, Investment Manager fees and the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Company as provided in Section 3.01 or incurred in the discharge of the Trustee's fiduciary obligations under this Agreement.

(c) "Agreement" shall mean and include this Decommissioning Master Trust Agreement as the same may from time to time be amended, modified or supplemented.

(d) "Authorized Representative" shall mean the Chief Executive Officer, the President, any Vice President or the Treasurer of the Company.

(e) "Certificate" shall mean a written certificate signed by the Company.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(g) "Common Facilities" shall mean facilities at the South Texas Project Electric Generating Station designed to serve both STP Unit No. 1 and STP Unit No. 2.

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(h) "Company" shall have the meaning set forth in the preamble hereto and shall include any successor thereto. The actions of the Company may be performed by an Authorized Representative as provided in Sections 1.01(d) and 2.03 hereof.

(i) "Contributions" shall mean all Non-Qualified Contributions and all Qualified Contributions.

(j) "Decommissioning Costs" shall mean all costs incurred in connection with the entombment, decontamination, dismantlement, removal and disposal of the structures, systems and components of a Unit or Common Facilities, including all costs incurred in connection with the preparation for decommissioning, such as engineering and other planning expenses, and all expenses incurred with respect to the Unit or Common Facilities after actual decommissioning occurs, such as physical security and radiation monitoring expenses.

(k) "Disbursement Certificate" shall mean a document properly completed and executed by the Company and substantially in the form of Exhibit A hereto.

(l) "Eligible Investments" shall mean such securities, bank deposits, collective, commingled or mutual funds or other investments that are permitted to be purchased and held for the account of the Fund in which the investment is proposed to be acquired under (1) applicable federal, state and other governmental laws, rules and regulations, including without limitation PUC Substantive Rule 25.303, and (2) the Investment Guidelines then in effect with respect to the Fund for which the investment is proposed to be acquired. Except for investments in funds tied to market indices or other non-nuclear sector collective, commingled or mutual funds, the assets of the Funds shall not be invested in the securities or other obligations of WiresCo, the Company or

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affiliates of any thereof, or their successors or assigns, or in any entity owning one or more nuclear power plants. Notwithstanding anything contained in this Agreement to the contrary, the term "Eligible Investments" when used in reference to the Investment Manager shall mean investments permitted by the applicable Investment Manager Agreement and Investment Guidelines.

(m) "Excess Contribution" shall have the meaning set forth in Section 2.02 hereof.

(n) "Funds" shall mean the Qualified Funds and the Non-Qualified Funds.

(o) "Investment Guidelines" shall mean any written statement or statements of the Company in effect at a given time that complies with the investment requirements and restrictions of PUCT Substantive Rule § 25.303 and details investment criteria and standards which shall be consistent with the investment requirements and restrictions of PUCT Substantive Rule § 25.303 with respect to one or more Funds or portions thereof. The Company may at any time, or from time to time, adopt new or additional Investment Guidelines, or amend, supersede, or terminate effective Investment Guidelines by delivering a copy of the new or additional Investment Guidelines or notice of amendment, supersession or termination to the Trustee and any affected Investment Manager provided that any new, amended, or additional Investment Guidelines shall be consistent with the investment requirements and restrictions of PUCT Substantive Rule § 25.303.

(p) "Investment Manager" shall mean a fiduciary specified in an Investment Manager Agreement:

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(i) which has been retained by the Company to manage, acquire or dispose of any asset belonging to the Master Trust; and

(ii) which is:

(A) registered as an investment adviser under the Investment Advisers Act of 1940, or

(B) a bank as defined in that Act, or

(C) an insurance company qualified to perform services described in subsection (i) above, under the laws of more than one state, and

(iii) which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust, that it is qualified to act under subsection (ii) above,

and has agreed to be bound by all of the terms, provisions and covenants of this Agreement applicable to it.

(q) "Investment Manager Agreement" shall mean an agreement between the Company and an Investment Manager selected by the Company, which agreement governs the management of all or a portion of the assets of the Master Trust.

(r) "Master Trust" shall consist of all contributions to any Fund together with investments and reinvestments thereof and any income earnings and appreciation thereon.

(s) "Non-Qualified Contributions" shall mean all amounts contributed to the Non-Qualified Funds.

(t) "Non-Qualified Funds" shall mean the Fund or Funds, as determined by the Trustee and the Company, established and maintained under the Master Trust for decommissioning STP Unit No. 1, STP Unit No. 2, and the Common Facilities to which

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monies are contributed, which Funds are not subject to the conditions and limitations of Section 468A.

(u) "NRC" shall mean the Nuclear Regulatory Commission, an agency of the United States of America, or its successor.

(v) "PUC" shall mean the Public Utility Commission of Texas, as authorized pursuant to the PURA, or its successor.

(w) "PUC Substantive Rule 25.303" or "16 Tex. Admin. Code § 25.303" shall mean the rules and regulations adopted by the PUC, effective October 26, 2004, published in the Texas Register as Tex. Public Utility Comm'n, 29 Tex. Reg. 9835 et seq. (2004) and codified at 16 Tex. Admin. Code § 25.303, as such section may be amended, and any successors thereto.

(x) "PURA" shall mean the Public Utility Regulatory Act, Texas Utilities Code, Title 2, as amended from time to time.

(y) "Qualified Contributions" shall mean all amounts contributed to the Qualified Funds for Decommissioning Costs and Administrative Costs of the Units collected by WiresCo as part of the Company's cost of service as approved by the PUC.

(z) "Section 468A" shall mean Section 468A of the Code, and any regulations and rulings of the Service thereunder, as such section and regulations may be amended, and any successors thereto.

(aa) "Service" shall mean the Internal Revenue Service.

(bb) "STP Unit No. 1" shall mean Unit No. One of the South Texas Project Electric Generating Station.

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(cc) "STP Unit No. 1 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning STP Unit No. 1 and Common Facilities to which monies are contributed subject to the conditions and limitations of Section 468A.

(dd) "STP Unit No 2" shall mean Unit No. Two of the South Texas Project Electric Generating Station.

(ee) "STP Unit No. 2 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning STP Unit No. 2 and Common Facilities to which monies are contributed subject to the conditions and limitations of Section 468A.

(ff) "Trustee" shall mean The Bank of New York Mellon or its successors.

(gg) "Units" shall, mean STP Unit No. 1, STP Unit No. 2 and the Common Facilities, collectively.

(hh) "WiresCo" shall have the meaning set forth in the preamble hereto and shall include its successors and assigns.

1.02 Authorization. Each of the Trustee and the Company hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it.

1.03 Master Trust Purpose. The exclusive purpose of this Master Trust is to provide funds for the decommissioning of the Units, and in that regard this Master Trust shall accumulate, invest, reinvest and hold monies for the decommissioning of the Units, and to disburse monies for that purpose. The Qualified Funds shall constitute qualified nuclear

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decommissioning funds for the Units within the meaning of Section 468A. The assets of the Qualified Funds must be used as authorized by Section 468A. It is not contemplated that the Non-Qualified Funds shall constitute qualified nuclear decommissioning funds for the Units within the meaning of Section 468A.

1.04 Establishment of Master Trust. By execution of this Agreement, the Company irrevocably:

(a) establishes the Master Trust, which shall consist of all Contributions as may now or hereafter be delivered by or on behalf of the Company to the Trustee, investments, and reinvestments thereof and earnings and appreciation thereon;

(b) establishes the Funds, each of which shall constitute a trust consisting of all Contributions as may now or hereafter be delivered to the Trustee by or on behalf of the Company and designated for such Fund, together with investments and reinvestments thereof and earnings and appreciation thereon; and

(c) appoints The Bank of New York Mellon as Trustee of the Master Trust and each of the Funds.

It is the intention of the Company and the Trustee that this Agreement create an express trust under the laws of the State of Texas.

1.05 Company to Be Beneficiary. The beneficial ownership of the Funds, subject to the purpose of the Master Trust, shall be at all times in the Company.

1.06 Name of Master Trust. The Master Trust created by this Agreement shall be known as the "NRG South Texas Decommissioning Master Trust for the South Texas Project."

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**ARTICLE II**

**DISPOSITIVE PROVISIONS**

2.01 Additions to Master Trust. From time to time after the initial Contribution to the Master Trust, additional Contributions may be made by or on behalf of the Company and the Trustee shall accept additional Contributions.

2.02 Adjustments for Excess Contributions. The Trustee and the Company understand and agree that the Contributions made by or on behalf of the Company to any of the Qualified Funds from time to time may exceed the amount permitted to be paid into such Fund(s) pursuant to Section 468A based upon changes in estimates, subsequent developments or any other event or occurrence which could not reasonably have been foreseen by the Company at the time such Contribution was made (an "Excess Contribution"). Upon certification of the Company, setting forth the amount of the Excess Contribution, the Trustee shall transfer to a Non-Qualified Fund, the amount of any Excess Contribution (together with any income accrued thereon) as specified by the Company in such Certificate.

2.03 Authorized Representatives. Each of the Authorized Representatives is authorized and empowered to perform all acts (including the negotiation, execution and delivery of agreements, instruments, certificates and amendments to the Master Trust Agreement and other documents and the delegation of any duties as evidenced in writing) as the Authorized Representative in his sole discretion may deem necessary or appropriate in connection with the activities of the Master Trust.



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2.04 Disbursements from the Funds. The Trustee shall make payments from the Funds in accordance with the following procedures:

(a) Use of Assets. Except for Administrative Costs, the assets in the decommissioning trust funds, in the first instance, shall be used to pay the expenses related to decommissioning the Units as defined by the NRC in its regulations and issuances, and as provided in the South Texas Project Electric Generating Station licenses and any amendments thereto. The Trustee acknowledges that the total Trustee and investment manager fees paid on an annual basis from the trust for the entire portfolio including commingled funds shall not exceed 0.7% of the entire portfolio's average annual balance, or such amount as is permitted by 16 Tex. Admin. Code § 25.303(e)(2)(B).

(b) Disbursement Certificates. Requests for payments of Decommissioning Costs or Administrative Costs (including the fees and expenses of the Trustee) actually incurred and paid or payable by the Company for goods provided or labor or other services rendered in connection with the decommissioning of the Units or the administration of this Master Trust shall be submitted to the Trustee on a Disbursement Certificate executed by the Company.

(c) Payment of Costs. Subject to the requirements of Section 2.04(d) below, the Trustee shall pay Decommissioning Costs or Administrative Costs when a Disbursement Certificate is filed with the Trustee. The Disbursement Certificate shall include the following:

- (i) the amount of money to be paid;
- (ii) the Fund or Funds from which payment is to be made;

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(iii) the purpose for which the obligation to be paid or reimbursed was incurred and whether the payment is of Decommissioning Costs or Administrative Costs; and

(iv) the party to which the payment shall be made.

(d) Notice to NRC. Except for disbursements for Administrative Costs, no disbursements or payments from the Funds shall be made by the Trustee unless the Trustee has first provided thirty days prior notice of such disbursement or payment to the NRC and the Trustee has not received written notice of an objection from the NRC Director, Office of Nuclear Reactor Regulation, by the later of (1) the date that is thirty days after the giving of such notice, or (2) the date of disbursement. The Public Utility Commission of Texas shall receive copies of all above notices.

(e) Payment of Taxes. To the extent one or more Funds file separate tax returns, the Trustee shall pay income and other taxes with respect to the Funds to the Service or other appropriate governmental authority. If income from one or more Funds is includable in the consolidated assets, revenues or income of the Company for tax purposes, the Trustee shall pay the Company the amount of tax on such assets, revenue or income allocable to such Funds when a Disbursement Certificate is filed with the Trustee directing payment from one or more Funds. All of such taxes, whether paid directly or indirectly, shall constitute Administrative Costs.

(f) Distribution of Master Trust Upon Termination. Upon complete or partial termination of this Master Trust or of any one or more of the Fund(s) pursuant to Section 2.08 or 2.09 hereof, the Trustee shall assist in liquidating the assets of the Master Trust, or Fund(s), and distributing the then-existing assets of the Master Trust, or Fund(s)

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(including accrued, accumulated and undistributed net income) to the Company; provided, however, if a Qualified Fund is terminated in whole or in part pursuant to Section 2.09(a) because of the Qualified Fund's disqualification from the applicability of Section 468A, the funds or securities withdrawn from the Qualified Fund shall be transferred to one or more of the Non-Qualified Funds.

(g) Insufficiency of Funds. Notwithstanding the foregoing, the Trustee shall take no action that would cause a Qualified Fund to become disqualified from the application of Section 468A. If the assets of any Fund are insufficient to permit the payment in full of amounts to be paid pursuant to this Section, the Trustee, in the absence of liability for such deficiency pursuant to the other provisions of this Agreement, shall have no liability with respect to such insufficiency and no obligation to use its own funds to pay the same. The Trustee shall, however, give the Company immediate notice of any such insufficiency.

2.05 Transfers Between Funds. The Trustee and the Company further understand and agree that it is of the essence that no transfer of monies is to occur between Funds except when such transfer is not contrary to the requirements of Section 468A and is either (a) in accordance with Section 2.02 hereof or (b) pursuant to the direct instructions contained in a Certificate of the Company.

2.06 Designation of Funds. Upon: (a) remittance of Contributions to the Master Trust; (b) any disbursement from the Master Trust; or (c) any adjustment to the Funds pursuant to Section 2.02 or Section 2.05, the Company shall designate, by Certificate, the appropriate Fund(s) accounts or subaccounts which are to be credited or debited by such

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Contribution, disbursement or adjustment, and the Trustee shall credit or debit the appropriate Fund(s) accounts or subaccounts in accordance with such designation.

2.07 No Transferability of Interest in Master Trust: Exception. The interest of the Company in the Master Trust is not transferable by the Company, whether voluntarily or involuntarily, nor subject to the claims of creditors of the Company. Notwithstanding the foregoing, however, if the Company sells or transfers all or part of its ownership interest in any Unit or Units, including without limitation a sale or transfer to an affiliate of the Company, the Company may transfer a proportionate part of its interest in the Master Trust or any Fund.

2.08 Termination of Master Trust. Subject to the right of the parties to amend this Agreement as provided in Section 7.01, this Master Trust shall be irrevocable and will terminate upon the earliest of:

- (a) receipt by the Trustee of a Certificate from the Company stating that the NRC has terminated the licenses of both Units pursuant to 10 C.F.R. § 50.82(f), or any successor regulation;
- (b) except for any sale or transfer permitted under Section 2.07, receipt by the Trustee of a Certificate from the Company stating that the Company has sold, transferred or otherwise disposed of all of its ownership interest in both Units; or
- (c) the twentieth anniversary of the date of the death of the survivor from among a class consisting of all of the descendants of John D. Rockefeller, late of New York, New York, born on or prior to January 1, 1990.

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2.09 Termination of Funds of Master Trust. Subject to the right of the parties to amend this Agreement as provided in Section 7.01 hereof, one or more of the Funds (in whole or in part) shall terminate upon the earliest of:

(a) with respect to a Qualified Fund only, the Fund's disqualification from the application of Section 468A, whether pursuant to an administrative action on the part of the Service or the decision of any court of competent jurisdiction, but in no event earlier than the date on which all available appeals have been either prosecuted or abandoned and the period of time for making any further appeals has elapsed;

(b) with respect to a Qualified Fund only, the sale, transfer or other disposition by the Company of any interest in the related Unit, to the extent provided by Section 468A; or

(c) with respect to a Non-Qualified Fund only, the disposition by the Company of any interest in the related Unit, in the same proportion of the Non-Qualified Fund as the Contributions to such Fund are to be used to decommission such Unit.

**ARTICLE III**

**MASTER TRUST MANAGEMENT AND ADMINISTRATION**

3.01 Duties of Management. The Trustee shall manage the Master Trust and perform all duties attendant thereto, including the execution of whatever contracts, agreements or other documents necessary to manage and invest such assets, subject to the terms and provisions of this Agreement. In performing its duties under this agreement, the Trustee shall exercise the same care and diligence that it would devote to its own property in like circumstances. The Trustee is authorized to purchase, enter, sell, hold, and generally deal in any manner in and with contracts for the immediate or future delivery of financial instruments and foreign exchange or

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foreign exchange contracts; to grant, purchase, sell, exercise, permit to expire, permit to be held in escrow, and otherwise to acquire, dispose of, hold and generally deal in any manner with and in all forms of options in any combinations. The Trustee, with the consent of the Company, or the Company may retain the services of such professional advisors, legal counsel and administrative support as may be necessary to administer the Master Trust. The reasonable fees and/or compensation of any party so retained shall, to the extent not already included in the Trustee's compensation, be regarded as appropriate Administrative Costs payable in accordance with Section 2.04 hereof.

3.02 Limitations on Trustee Actions. The Trustee shall not take any action or participate in any transaction which would violate the terms and conditions of this Agreement. Further, the Trustee shall not take any action or participate in any transaction inconsistent with any instructions provided in a Certificate of the Company so long as the terms and conditions of the Certificate are consistent with this Agreement.

**ARTICLE IV**

**ACCOUNTS AND REPORTS**

4.01 Establish Fund Accounts and Subaccounts. In accordance with the provisions of Section 2.06 hereof, the Trustee shall maintain separate accounts and subaccounts (including the spent fuel management and large component disposal subaccounts previously approved by the PUC), as are designated in writing from time to time by the Company for each Fund established by this Agreement to account for Contributions made to each Fund, and all income and other increments to each Fund and disbursements from each Fund. Any additional subaccounts proposed in the future by the Company are subject to the prior approval of the PUC.

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4.02 Accounts and Subaccounts: Quarterly and Annual Reports. The Trustee shall keep accurate and detailed accounts of all Contributions, investments, receipts and disbursements, Administrative Costs and other transactions hereunder, and all accounts, subaccounts, books and records relating thereto shall be open at all reasonable times to inspection by the Company or by any other person designated by the Company and may be audited not more frequently than once in each fiscal year by the Company or an independent certified public accountant engaged by the Company. Such accounts and subaccounts shall be maintained on an accrual basis and in such a manner as to enable the Trustee to furnish separate accounts and reports for each Fund. Within forty-five days following the close of each fiscal quarter or year, the Trustee shall prepare and furnish to the Company a written report setting forth with respect to each Fund all Contributions, investments, receipts and disbursements and

other transactions effected by it during the preceding fiscal quarter, or year with respect to year-end statements, including a description of all securities and investments purchased and sold, with

the cost and net proceeds of such purchases or sales, showing all cash, securities and other property held by each Fund at the end of such fiscal quarter or year and providing a valuation of the cash, securities and other property held by each Fund at the end of such fiscal quarter or year.

Within ninety days following the removal or resignation of the Trustee as provided in Article VI hereof, the Trustee shall prepare and furnish to the Company and to any Successor Trustee a written report containing all of the information required for fiscal year-end statements pursuant to this Section with respect to the period from the close of the previous fiscal year to the date of such removal or resignation. The Trustee shall also provide a valuation of the cash, securities and other property held by each Fund on such other dates as may be specified by the Company.

Copies of all records relating to the Master Trust and each of the Funds shall be maintained by

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the Trustee until the termination of the Master Trust and distribution of all of the assets of the Master Trust. Before destruction of any such records, the Trustee shall offer them to the Company. Such copies may be maintained on microfilm or microfiche.

**4.03 Tax Returns and Monthly Reports.**

(a) Tax Returns. The Trustee and the Company shall cooperate in the preparation of income or franchise tax returns or other reports as may be required from time to time. If deemed necessary or appropriate, the Trustee, with the Company's prior written consent, or the Company may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The Trustee agrees to sign all tax returns or other reports where required by law to do so or arising out of the Trustee's responsibilities hereunder. The Trustee shall prepare and submit to the Company in a timely manner all information requested by the Company regarding the Funds required to be included in the Company's federal, state and local income tax returns or other reports. Any interest or penalty charges assessed against the Master Trust or any Fund pursuant to Chapters 67 or 68 of the Code or pursuant to any similar state or local tax provisions shall be an Administrative Cost unless caused by the Trustee's negligence or willful misconduct, in which case such interest or penalty charges shall be borne by the Trustee and not the Master Trust. The Trustee agrees to notify the Company immediately of the commencement of the audit of any Fund's federal, state or local tax return, and to participate with the Company on behalf of the Fund in such audits and related inquiries. The Trustee shall provide the Company with any additional information in its possession regarding the Funds which may be required by the Company to be furnished in an audit of the Company's federal, state or local tax returns.



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(b) Monthly Investment Activity Reports. The Trustee shall present to the Company on a monthly basis a report setting forth all investments purchased and sold by the Investment Manager(s) or by the Trustee during the previous month.

**ARTICLE V**

**INVESTMENTS**

5.01 Investments in Eligible Investment. The Funds shall be invested solely in Eligible Investments, regardless of whether the Trustee, an Investment Manager or the Company is making the investment decision. The Trustee shall have the duty to review all proposed investments and to inform the Company and any Investment Manager if, in the Trustee's opinion, the proposed investment falls within the parameters set forth on **Exhibit D** (which has been provided to the Trustee by and approved by the Company) attached hereto. The Trustee, Investment Manager, or, anyone else directing the investments made in the trust shall adhere to the investment guidelines provided by the Company incorporating the standards for such investments as set forth in PUC Substantive Rule 25.303 (16 Tex. Admin. Code 25.303), as such section may be amended, and any successors thereto.

5.02 Investment Authority; Investment Managers.

(a) Trustee, Investment Manager(s) or Both to Manage Investments. The Company shall from time to time specify by Certificate to the Trustee whether the investment of the Funds shall be managed solely by the Trustee, or shall be directed by one or more Investment Managers appointed by the Company, or whether both the Trustee and one or more Investment Managers are to participate in investment management and if so how the investment responsibility is to be divided with respect to assets, classes of assets, separate Funds, accounts or subaccounts specified and defined in

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such Certificate. In the event that the Company shall fail to specify pursuant to this Section the person or persons who are to manage the investment of the Funds or any portion thereof, the Trustee shall promptly give notice of this fact to the Company. With the consent of the Trustee, the Company may designate the Trustee as Investment Manager of that portion of the Funds. If the Company does not designate an Investment Manager and the Trustee is unable or unwilling to serve as Investment Manager, the Company shall be Investment Manager of that portion of the Funds. If the Trustee is managing the investment of the Funds or any portion thereof, it shall follow any instructions issued by the Company in a Certificate unless those instructions are contrary to the Trustee's fiduciary duties under this Agreement. If investment of all or a portion of any Fund is to be directed in whole or in part by an Investment Manager, the Trustee shall be given written notification of the appointment of the Investment Manager and his acceptance of such appointment and acknowledgment that he is a fiduciary of this Master Trust. The Investment Manager shall also provide the Trustee a certificate identifying, with specimen signatures, the persons authorized to give instructions or directions to the Trustee on its behalf. The Trustee may continue to rely upon such instruments and certificates until otherwise notified in writing by the Company or the Investment Manager.

(b) Trustee to Follow Investment Manager Directions; Exceptions. The Trustee shall follow the directions of the Investment Manager regarding the investment and reinvestment of the portion of the Funds as shall be under management by the Investment Manager, provided that the Trustee shall not follow such directions if to do so would result in a violation of Section 5.03. Except as stated in the foregoing sentences,

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the Trustee shall be under no duty or obligation, with respect to Funds or portions thereof managed by an Investment Manager, to (i) review any investment to be acquired, held or disposed of pursuant to directions from an Investment Manager or (ii) make any recommendations with respect to the disposition or continued retention of any such investment. The Trustee, if it is managing any investments for any of the Funds or portions thereof, and each Investment Manager, if any, shall have a continuing duty to review the Funds under its management to determine the appropriateness of such assets, investments and funds. With respect to Funds or portions thereof managed by an Investment Manager, the Trustee shall have no liability or responsibility for acting without question on the direction of, or failing to act in the absence of any direction from, the Investment Manager, unless (i) such action or inaction would be contrary to the provisions of this Section 5.02(b); (ii) the Trustee has actual knowledge that by such action or failure to act it will be participating in a breach of fiduciary duty by the Investment Manager; or (iii) such action or inaction would result in a violation of the Trustee's fiduciary duties under the terms of this Agreement.

(c) Trades by Investment Manager. An Investment Manager at any time and from time to time may issue orders for the purchase or sale of Eligible Investments directly to a broker, and in order to facilitate such transaction the Trustee upon request shall execute and deliver appropriate trading authorizations. Written notifications of the issuance of each such order shall be given promptly to the Trustee by the Investment Manager, and the execution of each such order shall be confirmed to the Trustee by the broker. Such notification shall be authority for the Trustee to pay for Eligible Investments purchased against, receipt thereof and to deliver securities sold against

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payment therefor, as the case may be. All notifications concerning investments made by the Investment Manager shall be signed by such person or persons, acting on behalf of the Investment Manager as may be duly authorized in writing; provided, however, that the transmission to the Trustee of such notifications by telecopy with duplicate or facsimile signature or signatures shall be considered a delivery in writing of the aforesaid notifications until the Trustee is notified in writing by the Investment Manager that the use of such devices with duplicate or facsimile signatures is no longer authorized. The Trustee shall be entitled to rely upon such directions which it receives by such means if so authorized by the Investment Manager and shall in no way be responsible for the consequences of any unauthorized use of such device which was not, in fact, known by the Trustee at the time to be unauthorized. The Trustee shall, as promptly as possible, comply with any written directions given by the Investment Manager hereunder, and, where such directions are given by photostatic teletransmission with facsimile signature or signatures, the Trustee shall be entitled to presume that any directions so given are fully authorized.

(d) Removal of Investment Manager. The Company shall have the right to remove any Investment Manager. In the event that an Investment Manager should resign or be removed by the Company, the Company shall appoint another Investment Manager (including with the consent of the Trustee, the Trustee) for the portion of the Funds under management by such Investment Manager at the time of its resignation or removal. If the Company does not designate another Investment Manager, and the Trustee is unable or unwilling to serve as Investment Manager for that portion of the Funds, the Company shall be Investment Manager for that portion of the Funds.

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5.03 Limitations on Investment Transactions. Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out (a) any purchase, sale, exchange or other transaction which would constitute an act of "self-dealing" within the meaning of Section 4951 of the Code, as such section is made applicable to the Funds by Section 468A(e)(5) of the Code or (b) any investment which could result in a Fund's acquisition of an investment that falls within the parameters set forth on **Exhibit D** hereto. The Trustee shall not (x) lend monies or securities from any of the Funds to itself, its officers or directors, or (y) invest or reinvest monies from the Funds directly in securities issued by the Trustee, except for time deposits, demand deposits or money market accounts of the Trustee. Notwithstanding the foregoing (assuming applicable laws so permit), monies from the Funds may be invested in mutual funds or common trust funds that contain securities issued by the Trustee if the securities of the Trustee constitute no more than five percent of the fair market value, of the assets of such mutual funds at the time of the investment; provided, however, that the Trustee shall have no duties under Section 5.02 with respect to the investment in such mutual fund or common trust fund made at the direction of an investment manager or the Company.

5.04 Disposition of Investments. When required to make any payments under Section 2.04 hereof, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, and follow directions from the Company or an Investment Manager if such directions are provided. The proceeds of any such sale or liquidation shall be credited pro rata to the Fund or Funds to which such investments were credited prior to such sale or liquidation. The Trustee shall have no liability, except for its own negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by the Company or an Investment Manager or made by an Investment Manager through a broker-dealer.

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**5.05 Allocation of Income.**

(a) Generally. The Trustee shall not be precluded from pooling amounts in the Funds for investment purposes, provided that all investments are to be made only in Eligible Investments. To the extent amounts in more than one Fund are pooled, the Trustee shall allocate the earnings and losses in a manner permitted by Section 468A (if a Qualified Fund is involved) and, if so permitted, may treat each Fund participating in such investment as having received or accrued a ratable portion of the income from such investment for any period.

(b) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the terms of Section 113.102 of the Texas Trust Code. For accounting purposes, as of the end of each Accounting Period of the Master Trust, the income of the Master Trust shall, for purposes of all subsequent Accounting Periods, be treated as Master Trust principal. The Trustee and any Investment Manager shall have the same duties with regard to Master Trust income as to Master Trust principal.

**5.06 Settlement of Transactions.** Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Company acknowledges that this may, in certain circumstances, require the delivery of cash or securities (or other property) without the concurrent receipt of securities (or other property) or cash and, in such circumstances, the Trustee shall have no responsibility for nonreceipt of payment (or late payment) by the counterparty.

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5.07 Reimbursement. If the Trustee advances cash or securities to facilitate the settlement of a transaction or in the event that the Trustee shall incur or be assessed taxes, interest, charges, expenses, or assessments in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Fund or under this Agreement shall be security therefor and the Trustee shall be entitled upon reasonable notice to the Company to collect from the Fund sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Company held under this Agreement to the extent necessary to obtain reimbursement. To the extent the Trustee advances funds to the Fund for disbursements or to effect the settlement of purchase transactions, the Trustee shall be entitled to collect from the Fund an amount equal to either (i) with respect to domestic assets, an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate) or (ii) with respect to nondomestic assets, the rate applicable to the appropriate foreign market.

**ARTICLE VI**

**THE TRUSTEE**

6.01 General Powers. The Trustee shall have, with respect to the Master Trust, the following fiduciary powers to be exercised in the best interests of the Master Trust, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, except as otherwise provided, which are intended in no way to limit the powers of the office, namely:

(a) Registration of Securities. To cause any investment, either in whole or in part, in the Fund to be registered in, or transferred into, the Trustee's name or the names

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of a nominee or nominees, including but not limited to that of the Trustee or an affiliate of the Trustee, a clearing corporation, or a depository, or in book entry form, or to retain any such investment unregistered or in a form permitting transfer by delivery, provided that the books and records of the Trustee shall at all times show that such investments are a part of the Fund; and to cause any such investment, or the evidence thereof, to be held by the Trustee, in a depository, in a clearing corporation, in book entry form, or by any other entity or in any other manner permitted by law; provided that the Trustee shall not be responsible for any losses resulting from the depositor maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized foreign or domestic clearing facility, book-entry system, centralized custodial depository, or similar organization.

(b) Receipt of Money. To collect and receive any and all money and other property due to the Funds and to give full discharge therefor.

(c) Resolution of Claims. To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Master Trust; to commence or defend suits or legal proceedings to protect any interest of the Master Trust; and to represent the Master Trust in all suits or legal proceedings in any court or before any other body or tribunal.

(d) Voting of Securities. In its discretion, to exercise all voting rights with respect to any investment held in the Funds and to grant proxies, discretionary or otherwise, with respect thereto, except that, at any time when an Investment Manager shall be acting as provided in Section 5.02, the Trustee shall not exercise its discretion with respect to voting any such securities under management of such Investment



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Manager but shall vote such securities only upon and in accordance with the direction of the Investment Manager or shall send such Investment Manager all proxies and proxy materials relating to such securities, signed by the Trustee without indication of voting preference, and the Investment Manager shall exercise all voting rights with respect thereto.

(e) Location of Assets. To keep the Master Trust domiciled in the United States.

(f) Retention of Professional Services. To execute any of the powers hereof and perform the duties required of it hereunder by or through its employees, agents, attorneys or receivers.

(g) Designation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.

(h) Texas Trust Code. To exercise all rights, powers, options and privileges now or hereafter granted to, provided for or vested in, trustees under the Texas Trust Code, except such as conflict with the terms of this Agreement or applicable law.

(i) Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal of, and income from, the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Master Trust, subject, however, to Sections 2.04(d), 2.08 and 2.09.

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(j) Discretion in Exercise of Powers. To do any and all other acts, not inconsistent with the Texas Trust Code, which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Agreement.

Notwithstanding the foregoing, however, the Trustee may not do any act or knowingly engage in any transaction which would:

- (x) Disqualify either of the Qualified Funds from the application of Section 468A;
- (y) Violate the Trustee's fiduciary duties under this Agreement; or
- (z) Violate the terms and conditions of any instructions provided by Certificate by the Company to the extent such instructions are consistent with the Trustee's fiduciary duties under this Agreement.

6.02 Designation and Qualification of Successor Trustee(s). The Company by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole original Trustee. The Trustee shall act in accordance with the directions provided to it by the Company under the terms of this Agreement. At any time during the term of this Master Trust, the Company shall have the right to remove the Trustee acting hereunder and appoint another qualified corporation as a Successor Trustee upon thirty days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any Successor Trustee shall: (a) become insolvent or admit in writing its insolvency; (b) be unable or admit in writing its inability to pay its debts as such debts mature; (c) make a general assignment for the benefit of creditors; (d) have an involuntary petition in bankruptcy filed against it; (e) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt,

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dissolution or liquidation law, statute or proceeding; or (f) resign; the Trustee or Successor Trustee shall cease to act as a fiduciary of this Master Trust and the Company shall appoint a Successor Trustee. Any Successor Trustee shall be a bank or trust company incorporated and doing business within the United States of America and having a combined capital and surplus of at least \$50,000,000, if there be such an institution willing, able and legally qualified to perform the duties of Trustee hereunder upon reasonable or customary terms. Any Successor Trustee shall accept its appointment to serve by a duly acknowledged acceptance of this Master Trust, delivered to the Company and the Trustee then serving. The acceptance shall specify the date on which it will assume its duties as Successor Trustee, which date shall be at least ten days after delivery of the acceptance to the Company and the Trustee then serving, unless both such parties agree to an earlier date. Upon acceptance of such appointment by the Successor Trustee, the Trustee shall assign, transfer and pay over to such Successor Trustee the monies and properties then constituting the Master Trust. Any Successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

If for any reason the Company cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to the United States District Court for the Southern District of Texas, Houston Division, for the appointment of a Successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an Administrative Cost.

6.03 Resignation. The Trustee or any Successor Trustee hereof may resign and be relieved as Trustee at any time by a duly acknowledged instrument, which shall be delivered to the Company by the Trustee not less than sixty days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Company. No such

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resignation shall take effect until a successor Trustee shall have been appointed and shall have accepted such appointment.

6.04 Compensation. The Trustee shall be entitled to compensation as may be agreed to from time to time by the Company and the Trustee. Such compensation shall be payable by the Company, shall constitute an Administrative Cost and shall be payable from or reimbursable by the Master Trust.

6.05 Liability. The Trustee shall be liable for the acts, omissions and defaults of its own officers, employees and agents. Except where the Trustee exercises its investment discretion as provided in this Agreement, the Trustee shall not be liable for the acts or omissions of any Investment Manager(s) acting hereunder. The Trustee shall not be responsible or liable for any losses or damages suffered by the Fund arising as a result of the insolvency of any custodian, subtrustee or subcustodian, except to the extent the Trustee was negligent in its selection or continued retention of such entity, and shall not be liable for any indirect, consequential, or special damages with respect to its role as Trustee.

Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for (a) any direct damages arising from the failure of the Trustee to comply with the applicable provisions of Section 5.01; (b) any tax imposed pursuant to Section 4951 of the Code (or any applicable successor provision) as such section is made applicable to the Master Trust or the Trustee; and/or (c) any consequences flowing from violation of the restrictions on the investment of Qualified Fund assets outlined in Section 468A or applicable successor Code sections.

The Trustee is prohibited from doing any act or knowingly engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate of the Company to the extent that such instructions are consistent with the Trustee's fiduciary duties

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under this Agreement. Upon receipt of a Certificate of the Company giving the Trustee notice of either (a) instructions of the Company to the Trustee, or (b) acts or transactions the Company believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of the Company to the extent that such instructions are consistent with the Trustee's fiduciary duties under this Agreement, and/or cease and desist from the acts identified in the Certificate as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of the Company that are consistent with the Trustee's fiduciary duties under this Agreement, or continues with any act identified in the Certificate as violating the provisions of this Agreement, from the date of receipt of the Certificate providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee (and not the Master Trust) shall be liable for all direct damages arising from its failure to follow such instructions, and/or arising from a breach by the Trustee of this Agreement. Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for direct damages arising from any breach by the Trustee of this Agreement, regardless of whether notice thereof was provided by the Company.

6.06 Indemnity of Trustee. The Company shall indemnify and hold harmless the Trustee from all claims, liabilities, losses, damages and expenses, including reasonable attorneys' fees and expenses, incurred by the Trustee in connection with this Agreement, except as a result of the Trustee's own gross negligence or willful misconduct. This indemnification shall survive the termination of this Agreement.

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**ARTICLE VII**

**MISCELLANEOUS**

7.01 Schedule of Company Affiliates. The Company shall amend **Exhibit B** from time to time so that it contains a true, complete and correct listing of all affiliates of the Company.

7.02 Alterations and Amendments. The Trustee and the Company understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Master Trust. This Agreement may be amended by an instrument in writing executed by the Company and the Trustee. Copies of all such amendments shall be provided to the PUC at its address in Austin, Texas. This Agreement may not be amended so as to violate Section 468A with respect to the Qualified Funds. Notwithstanding any provision herein to the contrary, (i) the Company and the Trustee may, by mutual agreement, revise **Exhibits B, C and D** hereto and (ii) this Agreement cannot be modified in any material respect without first providing thirty days' prior written notice to the NRC Director, Office of Nuclear Reactor Regulation.

7.03 Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

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7.04 Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company or corporation.

7.05 Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to any person, other than the Company and the Trustee, any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein. The Company shall be entitled to receive payments for Decommissioning Costs and Administrative Costs which the Company may incur.

7.06 Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement shall not be affected by such invalidity or unenforceability.

7.07 Form and Content of Communications. The names of any person authorized to act on behalf of the Company shall be certified, with the specimen signature of such person, to the Trustee by the Company. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon or acting in accordance with any written notice, instruction, direction, certificate, resolution or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement

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contained therein. Until notified in writing to the contrary, the Trustee shall have the right to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

7.08 Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Company or the Trustee shall be deemed to have been properly given when delivered, or when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to the Company:

NRG South Texas LP  
211 Carnegie Center  
Princeton, New Jersey 08540  
Attention: Treasurer

If to the Trustee:

The Bank of New York Mellon  
One Mellon Bank Center  
Pittsburgh, Pennsylvania 15258  
Attention: Trust Officer

The Company or the Trustee may change its respective address by delivering notice thereof in writing to the other party.

7.09 Successors and Assigns. Subject to the provisions of Section 2.07 and 6.02, this Agreement shall be binding upon and inure to the benefit of the Company, the Trustee and their respective successors and assigns.

7.10 Governing Jurisdiction. This Master Trust is a Texas trust, and all questions pertaining to its validity, construction and administration shall be determined in accordance with the laws of the State of Texas, including the Texas Trust Code, as if executed in



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and to be wholly performed within the State of Texas; provided, however, that the Trustee need not be qualified to exercise trust powers in the State of Texas.

7.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

7.12 Compliance with Laws, Rules and Regulations. The Company and the Trustee intend that this Agreement, all investments made for the Funds and all action taken hereunder shall comply in all respects with federal, state and other laws, rules and regulations applicable to the Funds and this Agreement, including without limitation, rules and regulations promulgated by the NRC and the PUC. Therefore, each of the Trustee, the Company and any Investment Manager shall each comply with all federal, state and other laws, rules and regulations that may be applicable to it in connection with the performance of its duties under this Agreement.

7.13 Force Majeure. Notwithstanding anything in this Agreement to the contrary, the Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Fund resulting from any event beyond the reasonable control of the Trustee, its agents or subcustodians, including but not limited to, nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Fund's property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts

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of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. This Section shall survive the termination of this Agreement.

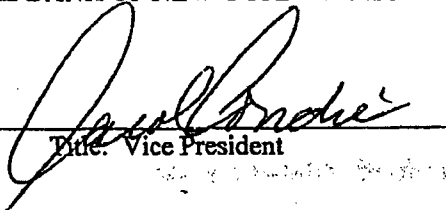
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IN WITNESS WHEREOF, the Company and the Trustee have set their hands and seals  
to this Agreement as of the day and year first above written.

NRG SOUTH TEXAS LP  
By: Texas Genco GP, LLC,  
Its General Partner

By   
Title: Vice President and Treasurer

THE BANK OF NEW YORK MELLON

By   
Title: Vice President

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**EXHIBIT A**

**DISBURSEMENT CERTIFICATE**

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**DISBURSEMENT CERTIFICATE**

The undersigned, being an Authorized Representative of NRG South Texas LP (the "Company"), a Texas limited partnership, and, in such capacity, being authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the NRG South Texas Decommissioning Master Trust for the South Texas Project, pursuant to Section 2.04 of that certain Fourth Amended and Restated Decommissioning Master Trust Agreement, dated as of July 13, 2009, between the Trustee and Company, as it may be amended, as follows:

- (1) the Company has incurred Decommissioning Costs in connection with the decommissioning of STP Unit No. [1] [2] or Administrative Costs relating to the Master Trust in the amounts and for the purposes provided on the schedule attached hereto; and
- (2) all such amounts constitute Decommissioning Costs or Administrative Costs.

Accordingly, you are hereby authorized to withdraw \$ \_\_\_\_\_ from the [STP Unit No. [1] [2] [Non-]Qualified Fund of the Master Trust and to pay such amount to the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to such Payees in the following manner: [Describe: CHECK, WIRE TRANSFER, ETC.] on or before \_\_\_\_\_.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

By \_\_\_\_\_  
Authorized Representative

**DOCKET NO. 36796**

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**NRG SOUTH TEXAS LP**  
**SECOND AMENDED AND RESTATED**  
**DECOMMISSIONING MASTER TRUST AGREEMENT NO. 2 FOR**  
**THE SOUTH TEXAS PROJECT**

**July 13, 2009**

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**SECOND AMENDED AND RESTATED**  
**DECOMMISSIONING MASTER TRUST AGREEMENT NO. 2**  
**FOR THE SOUTH TEXAS PROJECT**

THIS TRUST AGREEMENT, originally made as of May 19, 2005, amended and restated as of October 18, 2007, is further amended and restated as of July 13, 2009 by and among NRG South Texas LP, a Texas limited partnership (the "Company"), and The Bank of New York Mellon (successor by operation of law to Mellon Bank, N.A.), a New York state bank having trust powers (the "Trustee"):

WHEREAS, the Company is the owner of: (1) a thirteen and two-tenths percent (13.2%) undivided interest in Unit No. One of the South Texas Project Electric Generating Station (the "STP Unit No. 1 Additional Interest"); (2) a thirteen and two-tenths percent (13.2%) undivided interest in Unit No. Two of the South Texas Project Electric Generating Station (the "STP Unit No. 2 Additional Interest"); and (3) a thirteen and two-tenths percent (13.2%) undivided interest in certain facilities serving both STP Unit No. 1 and STP Unit No. 2 (the "Common Facilities Additional Interest"); all acquired from AEP Texas Central Company ("TCC") pursuant to that certain Purchase and Sale Agreement by and between TCC, City of San Antonio, acting by and through the City Public Service Board of San Antonio ("CPS") and the Company dated as of September 3, 2004 (the "PSA"); and

WHEREAS, the Company for purposes of this Trust is subject to regulation by the Public Utility Commission of Texas (the "PUC"), an agency of the State of Texas, and by the Nuclear Regulatory Commission (the "NRC"), an agency of the United States government; and

WHEREAS, the NRC has promulgated regulations in Title 10, Chapter 1 of the Code of Federal Regulations, Part 50, requiring the Company, as a holder of a license issued pursuant to 10 C.F.R., Part 50, to provide assurance that funds will be available when needed for required decommissioning activities; and

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WHEREAS, the PUC has adopted PUC Substantive Rule § 25.303, which, inter alia, prescribes TCC's continuing responsibility for collecting decommissioning funds through its rates pursuant to Public Utility Regulatory Act ("PURA") § 39.205; and

WHEREAS, pursuant to PUC Substantive Rule § 25.303 and the PSA, TCC and the Company have entered into an Amended and Restated Decommissioning Funds Collection Agreement dated October 18, 2007 (the "DFCA"); and

WHEREAS, pursuant to Section 468A of the Internal Revenue Code of 1986, certain federal income tax benefits are available to the Company by creating and funding qualified decommissioning funds associated with the South Texas Project Electric Generating Station; and

WHEREAS, the PUC has authorized TCC, pursuant to PURA § 39.205, to include in its cost of service for ratemaking purposes certain amounts to be collected as nonbypassable charges from retail customers and to be contributed by TCC to decommissioning funds in order to provide monies for the decommissioning costs with respect to the STP Unit No. 1 Additional Interest, the STP Unit No. 2 Additional Interest and the Common Facilities Additional Interest; and

WHEREAS, the Company wishes to maintain a qualified trust fund with respect to each of the STP Unit No. 1 Additional Interest and the STP Unit No 2 Additional Interest, and one or more non-qualified trust funds with respect to the STP Unit No. 1 Additional Interest and the STP Unit No. 2 Additional Interest to accumulate monies with which to pay the Company's share of decommissioning costs for the STP Unit No. 1 Additional Interest, the STP Unit No. 2 Additional Interest and the Common Facilities Additional Interest;

NOW, THEREFORE, in consideration of the mutual promises herein contained, and TCC's agreement pursuant to the DFCA to deliver or have delivered to the Trustee Contributions

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of monies, the Trustee hereby agrees to continue to receive the Contributions of monies to the Master Trust;

TO HAVE AND TO HOLD such monies and such additional monies as may from time to time be added thereto as provided herein, together with the proceeds and reinvestments thereof (hereinafter collectively called the "Master Trust");

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions hereinafter set forth:

**ARTICLE I**

**DEFINITIONS, PURPOSE AND NAME**

1.01. Definitions. As used in this Agreement, the following terms shall have the following meanings:

(a) "Accounting Period" shall mean a tax year, as interpreted in accordance with the Code; Accounting Periods shall end on December 31 of each year.

(b) "Administrative Costs" shall mean all ordinary and necessary expenses and other incidental costs incurred in connection with the operation of the Funds, including, but not limited to, taxes, Trustee fees, Investment Manager fees, and fees and expenses of TCC for acting as the collection agent with respect to the nonbypassable nuclear decommissioning charges to the extent authorized by applicable laws, including rules and orders of the PUC, and the fees and/or compensation of any professional advisors, legal counsel or, administrative support hired by the Company as provided in Section 3.01 or incurred in the discharge of the Trustee's fiduciary obligations under this Agreement.

(c) "Agreement" shall mean and include this Decommissioning Master Trust Agreement as the same may from time to time be amended, modified or supplemented.

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(d) "Authorized Representative" shall mean the Chief Executive Officer, the President, any Vice President or the Treasurer of the Company's general partner, Texas Genco GP, LLC.

(e) "Certificate" shall mean a written certificate signed by the Company.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(g) "Common Facilities" shall mean facilities at the South Texas Project Electric Generating Station designed to serve both STP Unit No. 1 and STP Unit No. 2.

(h) "Common Facilities Additional Interest" shall have the meaning set forth in the preamble hereto.

(i) "Company" shall have the meaning set forth in the preamble hereto and shall include any successor thereto. The actions of the Company may be performed by an Authorized Representative as provided in Sections 1.01(d) and 2.03 hereof.

(j) "Contributions" shall mean all Non-Qualified Contributions and all Qualified Contributions.

(k) "CPS" shall have the meaning set forth in the preamble hereto.

(l) "Decommissioning Costs" shall mean all costs incurred in connection with the entombment, decontamination, dismantlement, removal and disposal of the structures, systems and components of a Unit or Common Facilities, including all costs incurred in connection with the preparation for decommissioning, such as engineering and other planning expenses, and all expenses incurred with respect to the Unit or Common Facilities after actual decommissioning occurs, such as physical security and radiation monitoring expenses.

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(m) "DFCA" shall have the meaning set forth in the preamble hereto.

(n) "Disbursement Certificate" shall mean a document properly completed and executed by the Company, substantially in the form of **Exhibit A** hereto.

(o) "Eligible Investments" shall mean such securities, bank deposits, collective, commingled or mutual funds or other investments that are permitted to be purchased and held for the account of the Fund in which the investment is proposed to be acquired under (1) applicable federal, state and other governmental laws, rules and regulations, including without limitation PUC Substantive Rule 25.303, and (2) the Investment Guidelines then in effect with respect to the Fund for which the investment is proposed to be acquired. Except for investments in funds tied to market indices or other non-nuclear sector collective, commingled or mutual funds, the assets of the Funds shall not be invested in the securities or other obligations of (i) the Company or affiliates of any thereof, or their successors or assigns, or (ii) any entity owning or operating one or more nuclear power plants or any affiliates, subsidiaries, successors or assigns of any such entity. Notwithstanding anything contained in this Agreement to the contrary, the term "Eligible Investments" when used in reference to the Investment Manager shall mean investments permitted by the applicable Investment Manager Agreement and Investment Guidelines.

(p) "Excess Contribution" shall have the meaning set forth in Section 2.02 hereof.

(q) "Funds" shall mean the Qualified Funds and the Non-Qualified Funds.

(r) "Investment Guidelines" shall mean any written statement or statements, attached hereto as **Exhibit C**, of the Company in effect at a given time that incorporates

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or is consistent with the investment requirements and restrictions of PUC Substantive Rule § 25.303 and details any other applicable investment criteria and standards which shall be consistent with the investment requirements and restrictions of PUC Substantive Rule § 25.303, with respect to one or more Funds or portions thereof. The Company may at any time, or from time to time, adopt new or additional Investment Guidelines, or amend, supersede, or terminate effective Investment Guidelines by delivering a copy of the new or additional Investment Guidelines or notice of amendment, supersession or termination to the Trustee, and any affected Investment Manager, provided that any such new, amended or additional Investment Guidelines shall incorporate (or be consistent with) the investment requirements and restrictions of PUC Substantive Rule § 25.303.

(s) "Investment Manager" shall mean a fiduciary specified in an Investment

Manager Agreement:

(i) which has been retained by the Company to manage, acquire or dispose of any asset belonging to the Master Trust; and

(ii) which is:

(A) registered as an investment adviser under the Investment Advisers Act of 1940, or

(B) a bank as defined in that Act, or

(C) an insurance company qualified to perform services described in subsection (i) above, under the laws of more than one state, and

(iii) which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust, that it is qualified to act under subsection (ii) above,

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and has agreed to be bound by all of the terms, provisions and covenants of this Agreement applicable to it.

(t) "Investment Manager Agreement" shall mean an agreement between the Company and an Investment Manager selected by the Company, which agreement governs the management of all or a portion of the assets of the Master Trust.

(u) "Master Trust" shall consist of all contributions to any Fund together with investments and reinvestments thereof and any income earnings and appreciation thereon.

(v) "Non-Qualified Contributions" shall mean all amounts contributed to the Non-Qualified Funds.

(w) "Non-Qualified Funds" shall mean the Fund or Funds, as determined by the Trustee and the Company, established and maintained under the Master Trust for decommissioning STP Unit No. 1, STP Unit No. 2, and the Common Facilities to which monies are contributed, which Funds are not subject to the conditions and limitations of Section 468A.

(x) "NRC" shall mean the Nuclear Regulatory Commission, an agency of the United States of America, or its successor.

(y) "PSA" shall have the meaning set forth in the preamble hereto.

(z) "PUC" shall mean the Public Utility Commission of Texas, as authorized pursuant to the PURA, or its successor.

(aa) "PUC Substantive Rule 25.303" shall mean the rules and regulations adopted by the PUC, effective October 26, 2004, published in the Texas Register as Tex. Public Utility Comm'n, 29 Tex. Reg. 9835 et seq. (2004) and codified at 16 Tex. Admin. Code § 25.303, as such section may be amended, and any successors thereto.

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(bb) "PURA" shall mean the Public Utility Regulatory Act, Texas Utilities Code, Title 2, as amended from time to time.

(cc) "Qualified Contributions" shall mean all amounts collected by TCC in cost of service rates approved by the PUC and contributed to the Qualified Funds for Decommissioning Costs and Administrative Costs of the Units pursuant to the DFCA.

(dd) "Qualified Funds" shall mean the STP Unit No. 1 Qualified Fund or the STP Unit No. 2 Qualified Fund.

(ee) "Schedule of Ruling Amounts" shall mean a schedule requested and received in a ruling from the Service in accordance with Section 468A(d)(1) of ruling amounts as defined in Section 468A(d)(2).

(ff) "Section 468A" shall mean Section 468A of the Code, and any regulations and rulings of the Service thereunder, as such section and regulations may be amended, and any successors thereto.

(gg) "Service" shall mean the Internal Revenue Service.

(hh) "STP Unit No. 1" shall mean Unit No. One of the South Texas Project Electric Generating Station.

(ii) "STP Unit No. 1 Additional Interest" shall have the meaning set forth in the preamble hereto.

(ij) "STP Unit No. 1 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning STP Unit No. 1 and Common Facilities to which monies are contributed subject to the conditions and limitations of Section 468A.



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(kk) "STP Unit No. 2" shall mean Unit No. Two of the South Texas Project Electric Generating Station.

(ll) "STP Unit No. 2 Additional Interest" shall have the meaning set forth in the preamble hereto.

(mm) "STP Unit No. 2 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning STP Unit No. 2 and Common Facilities to which monies are contributed subject to the conditions and limitations of Section 468A.

(nn) "TCC" means AEP Texas Central Company, a Texas corporation, in its capacity as collection agent under and pursuant to the DFCA, and shall include its successors and assigns, in such capacity.

(oo) "Trustee" shall mean The Bank of New York Mellon or its successors.

(pp) "Units" shall mean STP Unit No. 1, STP Unit No. 2 and the Common Facilities, collectively.

1.02. Authorization. Each of the Trustee and the Company hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it.

1.03. Master Trust Purpose. The exclusive purpose of this Master Trust is to provide funds for the decommissioning of the Units, and in that regard this Master Trust shall accumulate, invest, reinvest and hold monies for the decommissioning of the Units, and to disburse monies for that purpose. The Qualified Funds shall constitute qualified nuclear decommissioning funds for the Units within the meaning of Section 468A. The assets of the

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Qualified Funds must be used as authorized by Section 468A. It is not contemplated that the Non-Qualified Funds shall constitute qualified nuclear decommissioning funds for the Units within the meaning of Section 468A.

1.04. Establishment of Master Trust. By execution of this Agreement, the Company:

(a) irrevocably establishes the Master Trust, which shall consist of all Contributions as may now or hereafter be delivered by or on behalf of the Company to the Trustee, investments and reinvestments thereof, and earnings and appreciation thereon;

(b) establishes the Funds, each of which shall constitute a trust consisting of all Contributions as may now or hereafter be delivered to the Trustee by or on behalf of the Company and designated for such Fund, together with investments and reinvestments thereof and earnings and appreciation thereon; and

(c) appoints The Bank of New York Mellon as Trustee of the Master Trust and each of the Funds.

It is the intention of the Company and the Trustee that this Agreement create an express trust under the laws of the State of Texas.

1.05. Company to Be Beneficiary. The beneficial ownership of the Funds, subject to the purpose of the Master Trust, shall be at all times in the Company.

1.06. Name of Master Trust. The Master Trust created by this Agreement shall be known as the "NRG South Texas LP Decommissioning Master Trust No. 2 for the South Texas Project."

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**ARTICLE II**

**DISPOSITIVE PROVISIONS**

2.01. Additions to Master Trust. From time to time after the initial Contribution to the Master Trust, additional Contributions may be made by TCC pursuant to the DFCA or by or on behalf of the Company and the Trustee shall accept additional Contributions. After the initial Contribution, the Trustee shall not accept any additional Contributions for a Qualified Fund other than cash payments with respect to which the Company is allowed a deduction under section 468A of the Code and Treas. Reg. § 1.468A-2(a) or any corresponding future Treasury Regulations. The Company hereby represents that all additional Contributions (or deemed contributions) designated by the Company pursuant to section 2.06 hereof to be credited to a Qualified Fund shall be deductible under section 468A of the Code and Treas. Reg. § 1468A-2(a) or any corresponding future Treasury Regulation or shall be withdrawn pursuant to Section 2.02 hereof.

2.02. Adjustments for Excess Contributions. The Trustee and the Company understand and agree that the Contributions made by or on behalf of the Company to any of the Qualified Funds from time to time may exceed the amount permitted to be paid into such Fund(s) pursuant to Section 468A based upon changes in estimates, subsequent developments or any other event or occurrence which could not reasonably have been foreseen by the Company at the time such Contribution was made (an "Excess Contribution"). Upon certification of the Company, setting forth the amount of the Excess Contribution, the Trustee shall transfer to a Non-Qualified Fund, the amount of any Excess Contribution (together with any income accrued thereon) as specified by the Company in such Certificate.

2.03. Authorized Representatives. The Company shall provide the Trustee with a written statement setting forth the names and specimen signatures of its Authorized

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Representatives. The Authorized Representatives shall provide the Trustee with a written statement setting forth the names and specimen signatures of any delegate of the Authorized Representatives. Each of the Authorized Representatives of the Company is authorized and empowered to perform the acts authorized in this Agreement to be performed by the Company. Each of the Authorized Representatives is authorized and empowered to perform all acts (including the negotiation, execution and delivery of agreements, instruments, certificates and amendments to the Master Trust Agreement and other documents and the delegation of any duties as evidenced in writing) as the Authorized Representative in his sole discretion may deem necessary or appropriate in connection with the activities of the Master Trust.

2.04. Disbursements from the Funds. The Trustee shall make payments from the Funds in accordance with the following procedures:

(a) Use of Assets. Except for Administrative Costs, the assets in the decommissioning trust funds, in the first instance, shall be used to pay the expenses related to decommissioning the Units as defined by the NRC in its regulations and issuances, and as provided in the South Texas Project Electric Generating Station licenses and any amendments thereto. The Trustee acknowledges that the total Trustee and investment manager fees paid on an annual basis from the Master Trust for the entire portfolio, including commingled funds, shall not exceed 0.7% of the entire portfolio's average annual balance, or such amount as is permitted by PUC Substantive Rule § 25.303(e)(2)(B).

(b) Disbursement Certificates. Requests for payments of Decommissioning Costs actually incurred and paid or payable by the Company for goods provided or labor or other services rendered in connection with the decommissioning of the Units or for

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Administrative Costs constituting taxes shall be submitted to the Trustee on a Disbursement Certificate executed by the Company. Requests for payments of Administrative Costs (including the fees and expenses of the Trustee, but excluding taxes) actually incurred and paid or payable for the administration of this Master Trust shall be submitted to the Trustee on a Disbursement Certificate executed by the Company.

(c) Payment of Costs. Subject to the requirements of Section 2.04(d) below, the Trustee shall pay Decommissioning Costs or Administrative Costs when a Disbursement Certificate is filed with the Trustee. The Disbursement Certificate shall include the following:

(i) the amount of money to be paid;

(ii) the Fund or Funds from which payment is to be made;

(iii) the purpose for which the obligation to be paid or reimbursed was incurred and whether the payment is of Decommissioning Costs or Administrative Costs; and

(iv) the party to which the payment shall be made.

(d) Notice to NRC. Except for disbursements for Administrative Costs, no disbursements or payments from the Funds shall be made by the Trustee unless the Trustee has first provided thirty days prior notice of such disbursement or payment to the NRC and the Trustee has not received written notice of an objection from the NRC Director, Office of Nuclear Reactor Regulation, by the later of (1) the date that is thirty days after the giving of such notice, or (2) the date of disbursement. The PUC shall receive copies of all above notices.

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(e) Payment of Taxes. To the extent one or more Funds file separate tax returns, the Trustee shall pay income and other taxes with respect to the Funds to the Service or other appropriate governmental authority, if income from one or more Funds is includable in the consolidated assets, revenues or income of the Company for tax purposes, the Trustee shall pay the Company the amount of tax on such assets, revenue or income allocable to such Funds when a Disbursement Certificate is filed with the Trustee directing payment from one or more Funds. All of such taxes, whether paid directly or indirectly, shall constitute Administrative Costs.

(f) Distribution of Master Trust Upon Termination. Upon complete or partial termination of this Master Trust or of any one or more of the Fund(s) pursuant to Section 2.08 or 2.09 hereof, the Trustee shall assist in liquidating the assets of the Master Trust, or Fund(s), and distributing the then-existing assets of the Master Trust, or Fund(s) (including accrued, accumulated and undistributed net income) to the Company; provided, however, if a Qualified Fund is terminated in whole or in part pursuant to Section 2.09(a) because of the Qualified Fund's disqualification from the applicability of Section 468A, the funds or securities withdrawn from the Qualified Fund shall be transferred to one or more of the Non-Qualified Funds. Upon completion of the decommissioning of a Unit and the related Common Facilities, payment of all Decommissioning Costs and Administrative Costs, and issuance of a final order by the PUC in the final reconciliation proceeding provided for in PUC Substantive Rule 25.303(f)(5), the Company shall submit to the Trustee a Disbursement Certificate requesting payment of any remaining moneys held in the Funds established for such Unit

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to TCC for refund to TCC customers in accordance with PUC Substantive Rule §25.303(f)(5).

(g) Insufficiency of Funds. Notwithstanding the foregoing, the Trustee shall take no action that would cause a Qualified Fund to become disqualified from the application of Section 468A. If the assets of any Fund are insufficient to permit the payment in full of amounts to be paid pursuant to this Section, the Trustee, in the absence of liability for such deficiency pursuant to the other provisions of this Agreement, shall have no liability with respect to such insufficiency and no obligation to use its own funds to pay the same. The Trustee shall, however, give the Company immediate notice of any such insufficiency.

2.05. No Commingling; Transfers Between Funds. Except to the extent permitted by PUC Substantive Rule §25.303(e)(3)(C)(iii), all Contributions and the earnings thereon shall be maintained separate and distinct from, and there shall be no commingling with, the nuclear decommissioning funds (or any other funds) received by the Trustee from any other source, including, without limitation, directly or indirectly from any ratepayers other than TCC ratepayers. The Trustee and the Company further understand and agree that it is of the essence that no transfer of monies is to occur between Funds except when such transfer is not contrary to the requirements of Section 468A and is either (a) in accordance with Section 2.02 hereof or (b) pursuant to the direct instructions contained in a Certificate of the Company.

2.06. Designation of Funds. Upon: (a) any remittance of Contributions to the Master Trust; (b) any disbursement from the Master Trust; or (c) any adjustment to the Funds pursuant to Section 2.02 or Section 2.05, the Company shall designate, by Certificate, the appropriate Fund(s) accounts or subaccounts which are to be credited or debited by such Contribution,

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disbursement or adjustment. The Trustee shall credit or debit the appropriate Fund(s) accounts or subaccounts in accordance with such designation. The Company shall provide the Trustee with a Schedule of Ruling Amounts for the STP Unit No. 1 Additional Interest and the STP Unit No. 2 Additional Interest and a remittance schedule of Decommissioning Collections (as defined in the DFCA) authorized by final order of the PUC in respect of the STP Unit No. 1 Additional Interest and the STP Unit No. 2 Additional Interest.

2.07. No Transferability of Interest in Master Trust; Exception. The interest of the Company in the Master Trust is not transferable by the Company, whether voluntarily or involuntarily, nor subject to the claims of creditors of the Company. Notwithstanding the foregoing, however, if the Company sells or transfers all or part of its ownership interest in any Unit or Units, including without limitation a sale or transfer to an affiliate of the Company, the Company may transfer a proportionate part of its interest in the Master Trust or any Fund.

2.08. Termination of Master Trust. Subject to the right of the parties to amend this Agreement as provided in Section 7.02, this Master Trust shall be irrevocable and will terminate upon the earliest of:

(a) receipt by the Trustee of a Certificate from the Company stating that the NRC has terminated the licenses of both Units pursuant to 10 C.F.R. § 50.82(f), or any successor regulation;

(b) except for any sale or transfer permitted under Section 2.07, receipt by the Trustee of a Certificate from the Company stating that the Company has sold, transferred or otherwise disposed of all of its ownership interest in both Units; or



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(c) the twentieth anniversary of the date of the death of the survivor from among a class consisting of all of the descendants of John D. Rockefeller, late of New York, New York, born on or prior to January 1, 2005.

2.09. Termination of Funds of Master Trust. Subject to the right of the parties to amend this Agreement as provided in Section 7.02 hereof, one or more of the Funds (in whole or in part) shall terminate upon the earliest of:

(a) with respect to a Qualified Fund only, the Fund's disqualification from the application of Section 468A, whether pursuant to an administrative action on the part of the Service or the decision of any court of competent jurisdiction but in no event earlier than the date on which all available appeals have been either prosecuted or abandoned and the period of time for making any further appeals has elapsed;

(b) with respect to a Qualified Fund only, the sale, transfer or other disposition by the Company of any interest in the related Unit, to the extent provided by Section 468A; or

(c) with respect to a Non-Qualified Fund only, the disposition by the Company of any interest in the related Unit, in the same proportion of the Non-Qualified Fund as the Contributions to such Fund are to be used to decommission such Unit.

**ARTICLE III**

**MASTER TRUST MANAGEMENT AND ADMINISTRATION**

3.01. Duties of Management. Subject to the terms and provisions of this Agreement, the Trustee shall manage the Master Trust and perform all duties attendant thereto, including the execution of whatever contracts, agreements or other documents necessary to manage and invest such assets. In performing its duties under this agreement, the Trustee shall exercise the same care and diligence that it would devote to its own property in like circumstances. The Trustee is

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authorized to purchase, enter, sell, hold, and generally deal in any manner in and with contracts for the immediate or future delivery of financial instruments and foreign exchange or foreign exchange contracts; to grant, purchase, sell, exercise, permit to expire, permit to be held in escrow, and otherwise to acquire, dispose of, hold and generally deal in any manner with and in all forms of options in any combinations. The Trustee, with the consent of the Company, may retain the services of such professional advisors, legal counsel and administrative support as may be necessary to administer the Master Trust. The reasonable fees and/or compensation of any party so retained shall, to the extent not already included in the Trustee's compensation, be regarded as appropriate Administrative Costs payable in accordance with Section 2.04 hereof.

3.02. Duties of Administration. The Company shall administer the Master Trust in accordance with PUC Substantive Rule § 25.303 and the terms and provisions of this Agreement and perform all duties therein and herein specified. The Company will not challenge the authority of the PUC to enforce its rules that shall be adopted from time to time with respect to the collection, investment and use of the funds provided by TCC customers for decommissioning of the STP Unit No. 1 Additional Interest, the STP Unit No. 2 Additional Interest, or the Common Facilities Additional Interest.

3.03. Limitations on Actions. Neither the Trustee nor the Company shall take any action or participate in any transaction which would violate the terms and conditions of this Agreement. Further, the Trustee shall not take any action or participate in any transaction inconsistent with any instructions provided in a Certificate of the Company so long as the terms and conditions of the Certificate are consistent with this Agreement.

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3.04. Texas Trust Code Controls. To the extent specified by PUC Substantive Rule § 25.303, the Texas Trust Code shall control the administration and management of the Master Trust.

**ARTICLE IV**

**ACCOUNTS AND REPORTS**

4.01. Establish Fund Accounts and Subaccounts. In accordance with the provisions of Section 2.06 hereof, the Trustee shall maintain separate accounts and subaccounts (including the spent fuel management and large component disposal subaccounts previously approved by the PUC), as are designated in writing from time to time by the Company for each Fund established by this Agreement to account for Contributions made to each Fund, and all income and other increments to each Fund and disbursements from each Fund. Any additional subaccounts proposed in the future by the Company are subject to the prior approval of the PUC.

4.02. Accounts and Subaccounts; Quarterly and Annual Reports. The Trustee shall keep accurate and detailed accounts of all Contributions, investments, receipts and disbursements, Administrative Costs and other transactions hereunder, and all accounts, subaccounts, books and records relating thereto shall be open at all reasonable times to inspection by the Company or by any other person designated by the Company and may be audited not more frequently than once in each fiscal year by an independent certified public accountant engaged by the Company. Such accounts and subaccounts shall be maintained on an accrual basis and in such a manner as to enable the Trustee to furnish separate accounts and reports for each Fund. Within forty-five days following the close of each fiscal quarter or year, the Trustee shall prepare and furnish to the Company a written report setting forth with respect to each Fund all Contributions, investments, receipts and disbursements and other transactions effected by it during the preceding fiscal quarter, or year with respect to year-end statements,

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including a description of all securities and investments purchased and sold, with the cost and net proceeds of such purchases or sales, showing all cash, securities and other property held by each Fund at the end of such fiscal quarter or year and providing a valuation of the cash, securities and other property held by each Fund at the end of such fiscal quarter or year. Within ninety days following the removal or resignation of the Trustee as provided in Article VI hereof the Trustee shall prepare and furnish to the Company and to any Successor Trustee a written report containing all of the information required for fiscal year-end statements pursuant to this Section with respect to the period from the close of the previous fiscal year to the date of such removal or resignation. The Trustee shall also provide a valuation of the cash, securities and other property held by each Fund on such other dates as may be specified by the Company. Copies of all records relating to the Master Trust and each of the Funds shall be maintained by the Trustee until the termination of the Master Trust and distribution of all of the assets of the Master Trust. Before destruction of any such records, the Trustee shall offer them to the Company. Such copies may be maintained on microfilm or microfiche.

**4.03. Tax Returns and Monthly Reports.**

(a) Tax Returns. The Trustee and the Company shall cooperate in the preparation of income or franchise tax returns or other reports as may be required from time to time. If deemed necessary or appropriate, the Trustee, with the Company's prior written consent, or the Company may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The Trustee agrees to sign all tax returns or other reports where required by law to do so or arising out of the Trustee's responsibilities hereunder. The Trustee shall prepare and submit to the Company in a timely manner all information requested by the Company regarding the

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Funds required to be included in the Company's federal, state and local income tax returns or other reports. Any interest or penalty charges assessed against the Master Trust or any Fund pursuant to Chapters 67 or 68 of the Code or pursuant to any similar state or local tax provisions shall be an Administrative Cost unless caused by the Trustee's negligence or willful misconduct, in which case such interest or penalty charges shall be borne by the Trustee and not the Master Trust. The Trustee agrees to notify the Company immediately of the commencement of the audit of any Fund's federal, state or local tax return, and to participate with the Company on behalf of the Fund in such audits and related inquiries. The Trustee shall provide the Company with any additional information in its possession regarding the Funds which may be required by the Company to be furnished in an audit of the Company's federal, state or local tax returns.

(b) Monthly Investment Activity Reports. The Trustee shall present to the Company on a monthly basis a report setting forth all investments purchased and sold by the Investment Manager(s) or by the Trustee during the previous month.

**ARTICLE V**

**INVESTMENTS**

5.01. Investments in Eligible Investments. The Funds shall be invested solely in Eligible Investments, regardless of whether the Trustee, the Company or an Investment Manager is making the investment decision. The Trustee shall have the duty to review all proposed investments and to inform the Company and any Investment Manager if, in the Trustee's opinion, the proposed investment falls within the parameters set forth on **Exhibit D** (which has been provided to the Trustee by and approved by the Company) attached hereto. The Trustee, Investment Manager, or anyone else directing the investments made in the trust shall adhere to the Investment Guidelines provided by the Company.

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**5.02. Investment Authority; Investment Managers.**

(a) Trustee, Investment Manager(s) or Both to Manage Investments. The Company shall from time to time specify by Certificate to the Trustee whether the investment of the Funds shall be managed solely by the Trustee, or shall be directed by one or more Investment Managers appointed by the Company, or whether both the Trustee and one or more Investment Managers are to participate in investment management and if so how the investment responsibility is to be divided with respect to assets, classes of assets, separate Funds, accounts or subaccounts specified and defined in such Certificate. In the event that the Company shall fail to specify pursuant to this Section the person or persons who are to manage the investment of the Funds or any portion thereof, the Trustee shall promptly give notice of this fact to the Company. With

the consent of the Trustee, the Company may designate the Trustee as Investment Manager of that portion of the Funds. If the Company does not designate an Investment

Manager and the Trustee is unable or unwilling to serve as Investment Manager, the Company shall be Investment Manager of that portion of the Funds. If the Trustee is managing the investment of the Funds or any portion thereof; it shall follow any instructions issued by the Company in a Certificate unless those instructions are contrary to the Trustee's fiduciary duties under this Agreement. If investment of all or a portion of any Fund is to be directed in whole or in part by an Investment Manager, the Trustee shall be given written notification of the appointment of the Investment Manager and his acceptance of such appointment and acknowledgment that it is a fiduciary of this Master Trust. The Investment Manager shall also provide the Trustee a certificate identifying, with specimen signatures, the persons authorized to give instructions or directions to the

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Trustee on its behalf. The Trustee may continue to rely upon such instruments and certificates until otherwise notified in writing by the Company or the Investment Manager.

(b) Trustee to Follow Investment Manager Directions; Exceptions. The Trustee shall follow the directions of the Investment Manager regarding the investment and reinvestment of the portion of the Funds as shall be under management by the Investment Manager. Except as stated in this Article, the Trustee shall be under no duty or obligation with respect to Funds or portions thereof managed by an Investment Manager, to (i) review any investment to be acquired, held or disposed of pursuant to directions from an Investment Manager or (ii) make any recommendations with respect to the disposition or continued retention of any such investment. The Trustee, if it is managing any investments for any of the Funds or portions thereof, and each Investment Manager, if any, shall have a continuing duty to review the Funds under its management to determine the appropriateness of such assets, investments and funds. With respect to Funds or portions thereof managed by an Investment Manager, the Trustee shall have no liability or responsibility for acting without question on the direction of, or failing to act in the absence of any direction from, the Investment Manager, unless (i) such action or inaction would be contrary to the provisions of this Section 5.02(b); (ii) the Trustee has actual knowledge that by such action or failure to act it will be participating in a breach of fiduciary duty by the Investment Manager; or (iii) such action or inaction would result in a violation of the Trustee's fiduciary duties under the terms of this Agreement.

(c) Trades by Investment Manager. An Investment Manager at any time and from time to time may issue orders for the purchase or sale of Eligible Investments

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directly to a broker, and in order to facilitate such transaction the Trustee upon request from an Investment Manager shall execute and deliver appropriate trading authorizations. Notifications, in a format agreed to by the Investment Manager and the Trustee, of the issuance of each such order shall be given promptly to the Trustee by the Investment Manager, and the execution of each such order shall be confirmed by the Trustee. Such notification shall be authority for the Trustee to pay for Eligible Investments purchased against receipt thereof and to deliver securities sold against payment therefor, as the case may be. All notifications concerning investments made by the Investment Manager shall be authorized by such person or persons, acting on behalf of the Investment Manager as may be duly authorized in writing. The Trustee shall be entitled to rely upon such directions which it receives by any means if so authorized by the Investment Manager and shall in no way be responsible for the consequences of any unauthorized use of any device which was not, in fact, known by the Trustee at the time to be unauthorized. The Trustee shall, as promptly as possible, comply with any written directions given by the Investment Manager hereunder, and, where such directions are given electronically, if agreed to by the Trustee, or by photostatic teletransmission with facsimile signature or signatures, the Trustee shall be entitled to presume that any directions so given are fully authorized.

(d) Removal of Investment Manager. The Company shall have the right, with or without cause, to remove any Investment Manager. In the event that an Investment Manager should resign or be removed by the Company, the Company shall appoint another Investment Manager (including the Trustee) for the portion of the Funds under management by such Investment Manager at the time of its resignation or removal.



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5.03. Limitations on Investment Transactions. Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out any purchase, sale, exchange or other transaction which would constitute an act of "self-dealing" within the meaning of Section 4951 of the Code. The Trustee shall not (x) lend monies or securities from any of the Funds to itself; its officers or directors or (y) invest or reinvest monies from the Funds directly in securities issued by the Trustee, except for time deposits, demand deposits or money market accounts of the Trustee. Notwithstanding the foregoing (assuming applicable laws so permit), monies from the Funds may be invested in mutual funds or common trust funds that contain securities issued by the Trustee if the securities of the Trustee constitute no more than five percent of the fair market value of the assets of such mutual funds at the time of the investment; provided, however, that the Trustee shall have no duties under Section 5.02 with respect to the

~~investment in such mutual fund or common trust fund made at the direction of an investment manager or the Company.~~

5.04. Disposition of Investments. When required to make any payments under Section 2.04 hereof, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, and follow directions from the Company or an Investment Manager if such directions are provided. The proceeds of any such sale or liquidation shall be credited pro rata to the Fund or Funds to which such investments were credited prior to such sale or liquidation. The Trustee shall have no liability, except for its own negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by the Company or an Investment Manager or made by an Investment Manager through a broker-dealer.

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**5.05. Allocation of Income.**

(a) Generally. The Trustee shall not be precluded from pooling amounts in the Funds for investment purposes, provided that all investments are to be made only in Eligible Investments. To the extent amounts in more than one Fund are pooled, the Trustee shall allocate the earnings and losses in a manner permitted by Section 468A (if a Qualified Fund is involved) and, if so permitted, may treat each Fund participating in such investment as having received or accrued a ratable portion of the income from such investment for any period.

(b) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the terms of Section 113.102 of the Texas Trust Code. For accounting purposes, as of the end of each Accounting Period of the Master Trust, the income of the Master Trust shall, for purposes of all subsequent Accounting Periods, be treated as Master Trust principal. The Trustee and any Investment Manager shall have the same duties with regard to Master Trust income as to Master Trust principal.

**5.06. Settlement of Transactions.** Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Company acknowledges that this may, in certain circumstances, require the delivery of cash or securities (or other property) without the concurrent receipt of securities (or other property) or cash and, in such circumstances, the Trustee shall have no responsibility for nonreceipt of payment (or late payment) by the counterparty.

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5.07. Reimbursement. If the Trustee advances cash or securities to facilitate the settlement of a transaction or in the event that the Trustee shall incur or be assessed taxes, interest, charges, expenses, or assessments in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Fund or under this Agreement shall be security therefor and the Trustee shall be entitled upon reasonable notice to the Company to collect from the Fund sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Company held under this Agreement to the extent necessary to obtain reimbursement. To the extent the Trustee advances funds to the Fund for disbursements or to effect the settlement of purchase transactions, the Trustee shall be entitled to collect from the Fund an amount equal to either (i) with respect to domestic assets, an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate) or (ii) with respect to nondomestic assets, the rate applicable to the appropriate foreign market.

**ARTICLE VI**

**THE TRUSTEE**

6.01. General Powers. Except to the extent greater than the powers of trustees under the Texas Trust Code or inconsistent with PUC Substantive Rule § 25.303 or the terms of this Agreement, the Trustee shall have, with respect to the Master Trust, the following fiduciary powers to be exercised in the best interests of the Master Trust, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine, namely:

- (a) Registration of Securities. To cause any investment, either in whole or in part, in the Fund to be registered in, or transferred into, the Trustee's name or the names of a nominee or nominees, including but not limited to that of the Trustee or an affiliate

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of the Trustee, a clearing corporation, or a depository, or in book entry form, or to retain any such investment unregistered or in a form permitting transfer by delivery, provided that the books and records of the Trustee shall at all times show that such investments are a part of the Fund; and to cause any such investment, or the evidence thereof, to be held by the Trustee, in a depository, in a clearing corporation, in book entry form, or by any other entity or in any other manner permitted by law; provided that the Trustee shall not be responsible for any losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized foreign or domestic clearing facility, book-entry system, centralized custodial depository, or similar organization.

(b) Receipt of Money. To collect and receive any and all money and other property due to the Funds and to give full discharge therefor.

(c) Resolution of Claims. To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Master Trust; to commence or defend suits or legal proceedings to protect any interest of the Master Trust; and to represent the Master Trust in all suits or legal proceedings in any court or before any other body or tribunal.

(d) Voting of Securities. In its discretion, to exercise all voting rights with respect to any investment held in the Funds and to grant proxies, discretionary or otherwise, with respect thereto, except that, at any time when an Investment Manager shall be acting as provided in Section 5.02, the Trustee shall not exercise its discretion with respect to voting any such securities under management of such Investment Manager but shall vote such securities only upon and in accordance with the direction of

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the Investment Manager or shall send such Investment Manager all proxies and proxy materials relating to such securities, signed by the Trustee without indication of voting preference, and the Investment Manager shall exercise all voting rights with respect thereto.

(e) Location of Assets. To keep the domicile of the Master Trust in the United States.

(f) Retention of Professional Services. To execute any of the powers hereof and perform the duties required of it hereunder by or through its employees, agents, attorneys or receivers.

(g) Designation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.

(h) Texas Trust Code. To exercise all rights, powers, options and privileges now or hereafter granted to, provided for or vested in, trustees under the Texas Trust Code, except to the extent inconsistent with the terms of this Agreement, PUC Substantive Rule § 25.303 or other applicable law.

(i) Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal of, and income from, the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Master Trust, subject, however, to Sections 2.04(d), 2.08 and 2.09.

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(j) Discretion in Exercise of Powers. To do any and all other acts, not inconsistent with the Texas Trust Code, which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Agreement.

Notwithstanding the foregoing, however, (i) the restrictions in subparagraphs (A)(i)-(v) of PUC Substantive Rule § 25.303(e)(2) shall apply and (ii) the Trustee may not do any act or knowingly engage in any transaction which would: (x) disqualify either of the Qualified Funds from the application of Section 468A; (y) violate the Trustee's fiduciary duties under this Agreement; or (z) violate the terms and conditions of any instructions provided by Certificate by the Company to the extent such instructions are consistent with the Trustee's fiduciary duties under this Agreement.

6.02. Designation and Qualification of Successor Trustee(s). The Company by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole original Trustee. The Trustee shall act in accordance with the directions provided to it by the Company under the terms of this Agreement. At any time during the term of this Master Trust, the Company shall have the right, with or without cause, to remove the Trustee acting hereunder and appoint another qualified corporation as a Successor Trustee upon thirty days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any Successor Trustee shall: (a) become insolvent or admit in writing its insolvency; (b) be unable or admit in writing its inability to pay its debts as such debts mature; (c) make a general assignment for the benefit of creditors; (d) have an involuntary petition in bankruptcy filed against it; (e) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute or proceeding; or (f) resign; the Trustee or Successor

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Trustee shall cease to act as a fiduciary of this Master Trust and the Company shall appoint a Successor Trustee. Any Successor Trustee shall be a bank or trust company incorporated and doing business within the United States of America and having a combined capital and surplus of at least \$50,000,000, if there be such an institution willing, able and legally qualified to perform the duties of Trustee hereunder upon reasonable or customary terms. Any Successor Trustee shall accept its appointment to serve by a duly acknowledged acceptance of this Master Trust, delivered to the Company and the Trustee then serving. The acceptance shall specify the date on which it will assume its duties as Successor Trustee, which date shall be at least ten days after delivery of the acceptance to the Company and the Trustee then serving unless all such parties agree to an earlier date. Upon acceptance of such appointment by the Successor Trustee, the Trustee shall assign, transfer and pay over to such Successor Trustee the monies and properties

~~then constituting the Master Trust. Any Successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.~~

If for any reason the Company cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to the United States District Court for the Southern District of Texas, Houston Division, for the appointment of a Successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an Administrative Cost.

6.03. Resignation. The Trustee or any Successor Trustee hereof may resign and be relieved as Trustee at any time by a duly acknowledged instrument, which shall be delivered to the Company by the Trustee not less than sixty days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Company. No such

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resignation shall take effect until a successor Trustee shall have been appointed and shall have accepted such appointment.

6.04. Compensation. The Trustee shall be entitled to compensation as may be agreed to from time to time by the Company and the Trustee. Such compensation shall be payable by the Company, shall constitute an Administrative Cost and shall be payable from or reimbursable by the Master Trust.

6.05. Liability. The Trustee shall be liable for the acts, omissions and defaults of its own officers, employees and agents. Except where the Trustee exercises its investment discretion as provided in this Agreement, the Trustee shall not be liable for the acts or omissions of any Investment Manager(s) acting hereunder. The Trustee shall not be responsible or liable for any losses or damages suffered by the Fund arising as a result of the insolvency of any custodian, subtrustee or subcustodian, except to the extent the Trustee was negligent in its selection or continued retention of such entity, and shall not be liable for any indirect, consequential, or special damages with respect to its role as Trustee.

Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for (a) any direct damages arising from the failure of the Trustee to comply with the applicable provisions of Section 5.01; (b) any tax imposed pursuant to Section 4951 of the Code (or any applicable successor provision) as such section is made applicable to the Master Trust or the Trustee; and/or (c) any consequences flowing from violation of the restrictions on the investment of Qualified Fund assets outlined in Section 468A or applicable successor Code sections.

The Trustee is prohibited from doing any act or knowingly engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate of the Company to the extent that such instructions are consistent with the Trustee's fiduciary duties



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under this Agreement. Upon receipt of a Certificate of the Company giving the Trustee notice of either (a) instructions of the Company to the Trustee, or (b) acts or transactions the Company believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of the Company to the extent that such instructions are consistent with the Trustee's fiduciary duties under this Agreement, and/or cease and desist from the acts identified in the Certificate as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of the Company that are consistent with the Trustee's fiduciary duties under this Agreement, or continues with any act identified in the Certificate as violating the provisions of this Agreement, from the date of receipt of the Certificate providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee (and not the Master Trust) shall be liable for all direct damages arising from its failure to follow such

instructions, and/or arising from a breach by the Trustee of this Agreement. Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for direct damages arising from any breach by the Trustee of this Agreement, regardless of whether notice thereof was provided by the Company.

6.06. Indemnity of Trustee. The Company shall indemnify and hold harmless the Trustee from all claims, liabilities, losses, damages and expenses, including reasonable attorneys' fees and expenses, incurred by the Trustee in connection with this Agreement, except as a result of the Trustee's own gross negligence or willful misconduct. This indemnification shall survive the termination of this Agreement.

**ARTICLE VII**

**MISCELLANEOUS**

7.01. Schedule of Company Affiliates. The Company shall amend **Exhibit B** from time to time so that it contains a true, complete and correct listing of all affiliates of the Company.

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7.02. Alterations and Amendments. The Trustee and the Company understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Master Trust. This Agreement may be amended by an instrument in writing executed by the Company and the Trustee. Copies of all such amendments shall be provided to the PUC at its address in Austin, Texas. This Agreement may not be amended so as to violate Section 468A with respect to the Qualified Funds or PUC Substantive Rule § 25.303. Notwithstanding any provision herein to the contrary, (i) the Company may from time to time, revise **Exhibits B, C and D** hereto, and (ii) this Agreement cannot be modified in any material respect without first providing thirty days' prior written notice to the NRC Director, Office of Nuclear Reactor Regulation.

7.03. Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

7.04. Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company or corporation.

7.05. Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to any person, other than the Company, TCC and the Trustee, any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein. The Company shall be entitled to receive payments for Decommissioning Costs and Administrative Costs which the Company may incur,

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and TCC shall be entitled to receive payments for Administrative Costs which TCC may incur. TCC shall be an express third-party beneficiary of this Trust Agreement and shall be entitled to enforce the terms and conditions thereof.

7.06. Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement shall not be affected by such invalidity or unenforceability.

7.07. Form and Content of Communications. The names of any person authorized to act on behalf of the Company shall be certified, with the specimen signature of such person, to the Trustee by the Company. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon or acting in accordance with any written notice, instruction, direction, certificate, resolution or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein. Until notified in writing to the contrary, the Trustee shall have the right to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

7.08. Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Company or the Trustee shall be deemed to have been properly given when delivered, or when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

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If to the Company:

NRG South Texas LP  
c/o Texas Genco GP, LLC  
211 Carnegie Center  
Princeton, New Jersey 08540  
Attention: Treasurer

If to the Trustee:

The Bank of New York Mellon  
One Mellon Bank Center  
Pittsburgh, Pennsylvania 15258  
Attention: Trust Officer

The Company or the Trustee may change its respective address by delivering notice thereof in writing to the other party.

7.09. Successors and Assigns. Subject to the provisions of Sections 2.07 and 6.02, this Agreement shall be binding upon and inure to the benefit of the Company, the Trustee and their respective successors and assigns.

7.10. Governing Jurisdiction. This Master Trust is a Texas trust, and all questions pertaining to its validity, construction and administration shall be determined in accordance with the laws of the State of Texas, including the Texas Trust Code, as if executed in and to be wholly performed within the State of Texas; provided, however, that the Trustee need not be qualified to exercise trust powers in the State of Texas.

7.11. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

7.12. Compliance with Laws, Rules and Regulations. The Company and the Trustee intend that this Agreement, all investments made for the Funds and all action taken hereunder shall comply in all respects with federal, state and other laws, rules and regulations applicable to

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the Funds and this Agreement, including without limitation, rules and regulations promulgated by the NRC and the PUC. Therefore, each of the Trustee, the Company and any Investment Manager shall each comply with all federal, state and other laws, rules and regulations that may be applicable to it in connection with the performance of its duties under this Agreement.


7.13. Force Majeure. Notwithstanding anything in this Agreement to the contrary, the Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Fund resulting from any event beyond the reasonable control of the Trustee, its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Fund's property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. This Section shall survive the termination of this Agreement.

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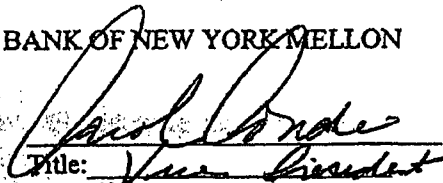
IN WITNESS WHEREOF, the Company and the Trustee have set their hands and seals  
to this Agreement as of the day and year first above written.

NRG SOUTH TEXAS LP  
a Texas limited partnership

By: Texas Genco GP, LLC,  
Its General Partner

By:   
Vice President and Treasurer

THE BANK OF NEW YORK MELLON

By:   
Title: Vice President

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**EXHIBIT A**

**DISBURSEMENT CERTIFICATE**

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**Disbursement Certificate**

The undersigned, being an Authorized Representative of NRG South Texas LP (the "Company"), a Texas limited partnership, and in such capacity, being authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the NRG South Texas LP Second Amended and Restated Decommissioning Master Trust for the South Texas Project, pursuant to Section 2.04 of that Second Amended and Restated Decommissioning Master Trust Agreement No. 2, dated as of July 13, 2009, between the Trustee and the Company as follows:

- (1) the Company has incurred Decommissioning Costs in connection with the decommissioning of STP Unit No. [1] [2] or Administrative Costs relating to the Master Trust in the amounts and for the purposes provided on the schedule attached hereto; and
- (2) all such amounts constitute Decommissioning Costs or Administrative Costs.

Accordingly, you are hereby authorized to withdraw \$\_\_\_\_\_ from the [STP Unit No. [1] [2] [Non-]Qualified Fund of the Master Trust and to pay such amount of the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to such Payees in the following manner: [Describe: CHECK, WIRE TRANSFER, ETC.] on or before \_\_\_\_\_, \_\_\_\_\_.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

By \_\_\_\_\_  
Authorized Representative



### CERTIFICATE OF ASSISTANT SECRETARY

The undersigned Assistant Secretary of the City Public Service Board of San Antonio ("CPS Energy"), an independent board of the City of San Antonio, a Texas municipal entity, in his capacity as an officer of CPS Energy and not individually, does hereby certify that:

Attached here to is a true and correct copy of the "Resolution by the City Public Service Board of San Antonio, Texas relating to the City Public Service Restated Decommissioning Master Trust Agreement Related to the South Texas Project (CPS Trust) Revised March 31, 2009 was passed on March 2, 2009".

This Certificate was duly executed on June 19, 2009.



Robert K. Temple  
Assistant Secretary to the  
City Public Service Board

(Seal)

**CITY PUBLIC SERVICE OF SAN ANTONIO**  
**DECOMMISSIONING TRUST INVESTMENT POLICY RESOLUTION**

**WHEREAS**, section 1502.070 of the Texas Government Code vests management and control of the CPS Energy gas and electric systems in the Board of Trustees of CPS Energy (the "Board"); including management and control over the purchasing activities of the systems; and

**WHEREAS**, the Board is responsible for the prudent handling and control of funds and investments of the City Public Service Board, the City Public Service Restated Decommissioning Master Trust for the South Texas Project (the "CPS Trust"), and the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company (the "Master Trust (TCC Funded)"); and

**WHEREAS**, CPS Energy desires the approval of a resolution acknowledging that a review of the City Public Service South Texas Project Decommissioning Trust Investment Policy ("Decommissioning Trust Investment Policy" or "Policy") has been completed and adopting the Decommissioning Trust Investment Policy as is. The Public Funds Investment Act of Texas requires that the governing body of a local governmental entity review its investment policies and investment strategies not less than annually. Changes to the Policy include the addition of a South Texas Project Pre-Shutdown Decommissioning sub-account to the CPS Trust and the addition of South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund (TCC Funded) and South Texas Project Units 1 & 2 Spent Fuel Management Fund (TCC Funded) to the Master Trust (TCC Funded). No other substantive changes were made to the Policy; and

**WHEREAS**, the CPS Energy staff has verified and represents to the Board of Trustees that the Decommissioning Trust Investment Policy as attached hereto is in compliance with the requirements of the U.S. Nuclear Regulatory Commission, Public Utility Commission of Texas, Texas Public Funds Investment Act, Property Code Subtitle B, Title 9, where applicable;

**WHEREAS**, the CPS Energy staff has verified and represents to the Board of Trustees that the Decommissioning Trust Investment Policy as attached hereto is in compliance with the requirements of the City Public Service Restated Decommissioning Master Trust Agreement for the South Texas Project, and the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company, and is hereby adopted and incorporated into this resolution by reference;

**WHEREAS**, the Board of Trustees shall review the Decommissioning Trust Investment Policy on an annual basis; and

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby approves and adopts the Decommissioning Trust Investment Policy as attached hereto, effective March 2, 2009.

**CITY PUBLIC SERVICE**  
**RESTATED DECOMMISSIONING MASTER TRUST**  
**AGREEMENT FOR THE SOUTH TEXAS PROJECT (CPS TRUST)**  
**REVISED MARCH 31, 2009**

The City of San Antonio, acting by and through the City Public Service Board (hereinafter called "CPS Energy"), having received applications from qualified banks to serve as the Trustee of the Decommissioning Master Trust, beginning January 1, 2006, and Frost National Bank (hereinafter called the "Trustee") having submitted an application which was found by CPS Energy to be the best and most acceptable application and the same having been accepted by CPS Energy, CPS Energy and Trustee entered into an agreement effective January 1, 2006. CPS Energy and Trustee now agree the master trust agreement effective January 1, 2006 should be superseded with this Agreement, as that term is defined below, and it is hereby agreed by and between CPS Energy and the Trustee as follows:

**ARTICLE 1 - DEFINITIONS, PURPOSE AND NAME**

1.1 Definitions. As used in this Decommissioning Master Trust Agreement, the following terms shall have the following meanings:

- (1) "Administrative Costs" shall mean all ordinary and necessary expenses and other incidental costs incurred in connection with the operation of the Master Trust and the Funds, including, but not limited to, Trustee fees, Investment Manager fees, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by CPS Energy as provided in Section 3.1 or any other fees approved in advance by CPS Energy which are incurred in the discharge of the Trustee's fiduciary obligations under this Agreement.
- (2) "Agreement" shall mean this Restated Decommissioning Master Trust Agreement For The South Texas Project as it may from time to time be amended, modified or supplemented.

- (3) "Authorized CPS Energy Representatives" shall mean the General Manager & CEO, the Treasurer, and the Assistant Treasurer of CPS Energy, or any other person designated as an Authorized Representative. A Certificate documenting the designation of Authorized Representatives will be filed with the Trustee.
- (4) "Board of Trustees" shall mean the Board of Trustees of CPS Energy.
- (5) "Certificate" or "Certification" shall mean a written Certificate signed by two Authorized CPS Energy Representatives.
- (6) "Decommissioning" shall mean the entombment, decontamination, dismantlement, removal and disposal of the structures, systems and components of a Unit, including all preparation for decommissioning, such as engineering and other planning, and all related work with respect to a Unit after actual decommissioning occurs, such as physical security and radiation monitoring, to the extent such activities are part of a decommissioning plan for a Unit approved by the U.S. Nuclear Regulatory Commission (the "NRC") and also including Site Restoration Activities to the extent disclosed in a Decommissioning Study submitted to the NRC; *provided, however*, funds allocated for Site Restoration Activities shall not be counted toward the amount necessary to fund Decommissioning as required by the NRC.
- (7) "Decommissioning Contributions" shall mean all amounts contributed to the Funds by CPS Energy for Decommissioning Costs of the Plant, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs.
- (8) "Decommissioning Costs" shall mean the costs associated with Decommissioning.
- (9) "Decommissioning Study" shall mean the most recently completed study of costs and work associated with Decommissioning Cost Analysis for the South Texas Project Electric Generating Station Units 1 & 2

- (10) "Disbursements" shall mean payments incurred by CPS Energy to any other person or organization for Decommissioning Costs or Administrative Costs.
- (11) "Disbursement Certificate" shall mean a document authorizing disbursements from the funds properly completed and executed by two Authorized CPS Energy Representatives (one of which must be the General Manager & CEO or Treasurer; the Assistant Treasurer is allowed for purposes of paying administrative expenses) and substantially in the form of Attachment A of this Agreement.
- (12) "Erroneous Contribution" shall have the meaning set forth in Section 2.3 of this Agreement.
- (13) "Funds" shall mean the South Texas Project Unit No. 1 Fund and the South Texas Project Unit No. 2 Fund, the South Texas Project Fuel Storage Fund, and the, South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund, collectively.
- (14) "Fund Account" shall mean a separate account established pursuant to this Agreement and maintained by the Trustee for the South Texas Project Unit No. 1 Fund, the South Texas Project Unit No. 2 Fund, the South Texas Project Fuel Storage Fund, and South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund to account for all Decommissioning Contributions made to each Fund, all income and other increments of each Fund, and all disbursements from each Fund.
- (15) "Investment Manager(s)" shall mean the fiduciary specified in an Investment Management Agreement(s):
- (a) Which has been retained by CPS Energy to manage, acquire, or dispose of any asset held in the Master Trust;
  - (b) Which is:

- (i) registered as an investment adviser under the Investment Adviser Act of 1940,  
or
  - (ii) a bank, as defined in that Act, or
  - (iii) an insurance company qualified to perform services described in subsection (a) above, under the laws of more than one state; and
- (c) Which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust, that it is qualified to act under subsection (b) above, and that it has agreed to be bound by all of the terms, provisions and covenants of this Agreement.
- (16) "Investment Management Agreement(s)" shall mean the agreement(s) (if any) between CPS Energy and any Investment Manager(s) selected by CPS Energy, which agreement governs the investment management of all or a specified portion of the assets of the Master Trust.
- (17) "Master Trust" shall mean the City Public Service Restated Decommissioning Master Trust for the South Texas Project (CPS Trust) established under this Agreement to fund decommissioning obligations for CPS Energy's 28% interest in the South Texas Project, which shall hold all contributions to any Fund, together with investments and reinvestments thereof and any income, earnings and appreciation thereon.
- (18) "Plant" shall mean the South Texas Project, Unit Nos. 1 and 2, collectively.
- (19) "Pre-Shutdown Decommissioning" shall mean the removal and disposal of large radioactive components, such as reactor vessel heads and steam generators, that are documented in the Decommissioning Study, but which are not part of Decommissioning or Spent Fuel Management.
- (20) "Pre-Shutdown Decommissioning Costs" shall mean the costs associated with Pre-Shutdown Decommissioning.

- (21) "Site Restoration Activities" shall mean the dismantlement of systems, structures and components described in the Decommissioning Study, but which are not classified as "decommissioning" in the NRC's rules and regulations.
- (22) "South Texas Project" shall mean the nuclear fueled electric generating facilities owned by CPS Energy and others in Matagorda County, Texas.
- (23) "South Texas Project Unit No. 1" shall mean Unit No. 1 of the South Texas Project.
- (24) "South Texas Project Unit No. 1 Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning South Texas Project Unit No. 1.
- (25) "South Texas Project Unit No. 2" shall mean Unit No. 2 of the South Texas Project.
- (26) "South Texas Project Unit No. 2 Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning South Texas Project Unit No. 2.
- (27) "South Texas Project Fuel Storage" shall mean the fuel storage facilities of the South Texas Project.
- (28) "South Texas Project Fuel Storage Fund" shall mean the Fund established and maintained under the Master Trust for fuel storage facilities during the decommissioning period.
- (29) "Spent Fuel Management" shall mean the design, procurement, construction, licensing, and operation of an independent spent fuel storage installation and the design, procurement and handling of casks for spent fuel storage and all related security, maintenance and operating activities to the extent such activities are accounted for in the Decommissioning Study, but are not part of Decommissioning or Pre-Shutdown Decommissioning.
- (30) "Spent Fuel Management Costs" shall mean the costs associated with Spent Fuel Management.

(31) "Trustee" shall mean the present organization designated to serve as Trustee of the Master Trust as well as any successor Trustee.

(32) "Unit" or "Units" shall mean either South Texas Project Unit No. 1 or No. 2, singularly, or South Texas Project Units No. 1 and No. 2, collectively.

1.2 Authorization. The Trustee and CPS Energy hereby represent and warrant that each has full legal authority and is duly empowered to enter into and bind itself to the terms of this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it. The Trustee also warrants that it has a net worth of at least \$100 million.

1.3 Master Trust Purpose. The exclusive purpose of this Master Trust is to provide monies for the decommissioning of the Plant consistent with 10 C.F.R., Part 50. In that regard, this Master Trust shall accumulate, invest, reinvest and hold monies for the decommissioning of the Units and related fuel storage to expend monies for that purpose.

1.4 Establishment of Master Trust. CPS Energy has previously established and maintains, or by this Agreement establishes with the Trustee:

- (1) the Master Trust which consists of the Trust funds and investments listed in Attachment C, and such Decommissioning Contributions as subsequently may be delivered to the Trustee by CPS Energy, investments and reinvestments thereof, and earnings and appreciation thereon;
- (2) the South Texas Project Unit No. 1 Fund, the South Texas Project Unit No. 2 Fund, the South Texas Project Fuel Storage Fund, and the the South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund each of which constitute a separate fund account consisting of the Decommissioning Contributions designated for each Fund as may be delivered to the Trustee by CPS Energy, together with investments and reinvestments thereof and earnings and appreciation thereon; and
- (3) CPS Energy appoints the Trustee as trustee of the CPS Trust and each of the above-described Funds that are part thereof.



- 1.5 Name of Master Trust. The Trust established under this Agreement shall be known as the "City Public Service Restated Decommissioning Master Trust for the South Texas Project."

## **ARTICLE 2 - DISPOSITIVE PROVISIONS**

- 2.1 Additions to Master Trust. From time to time after the initial contribution to the Master Trust and prior to the termination of the Trust, CPS Energy may make, and the Trustee shall accept, additional contributions.

- 2.2 Use of Assets. Except for Administrative Costs, the assets in the decommissioning trust funds, in the first instance, shall be used to pay (i) the expenses related to decommissioning the Units as defined by the NRC in its regulations and issuances, and as provided in the South Texas Project Electric Generating Station licenses and any amendments thereto; (ii) Pre-Shutdown Decommissioning Costs; and (iii) Spent Fuel Management Costs.

- 2.3 Disbursements from Master Trust. The Trustee shall make Disbursements to pay Decommissioning Costs or Administrative Costs in accordance with the following procedures:

- (1) Authorized Representative. CPS Energy shall promptly notify the Trustee of the designation of any person as an Authorized CPS Energy Representative in addition to those defined under Paragraph 1.1(3) of this Agreement. The name of any person authorized to act on behalf of CPS Energy shall be certified, with a specimen signature of such person, to the Trustee by CPS Energy. The Trustee shall have no duty to inquire independently into or investigate the continued authority of any person to act as an Authorized CPS Energy Representative. CPS Energy shall provide the Trustee with written notice of the termination of any Authorized CPS Energy Representative's authority.

- (2) Submission of Disbursement Certificate. Disbursement Certificates for Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs actually incurred by CPS Energy and paid or payable to any person or organization or for reimbursement of Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs previously paid by CPS Energy to any person or organization in connection with the Decommissioning of the Plant, Pre-Shutdown Decommissioning or Spent Fuel Management shall be submitted to the Trustee and must be signed by two Authorized CPS Energy Representatives, one of whom must be the General Manager & CEO or the Treasurer.

Disbursement Certificates exclusively for Administrative Costs actually incurred by CPS Energy and paid or payable to any person or organization or for reimbursement of Administrative Costs previously paid by CPS Energy to any person or organization in connection with the administration of the Master Trust shall be submitted to the Trustee and will be effective so long as the Disbursement Certificate has been signed by two Authorized CPS Energy Representatives, one of whom must be the General Manager & CEO, Treasurer, or Assistant Treasurer and subject to the following limits:

\$50,000 or less	Assistant Treasurer plus Authorized CPS Energy Representative
\$1,000,000 or less	Treasurer plus Authorized CPS Energy Representative
Over \$1,000,000	General Manager and CEO plus Authorized CPS Energy Representative

- (3) Payment of Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs. The Trustee shall pay Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs when a

completed Disbursement Certificate, signed by two Authorized CPS Energy Representatives as provided in Paragraph 2.3(2), is filed with the Trustee. The invoice or bill for such costs shall be attached to the Certificate, if such invoice or bill is available. The Trustee shall retain at least one copy of each Disbursement Certificate, including attachments, received pursuant to this Section 2.3. The Disbursement Certificate shall include the following:

- (i) the amount of money to be paid;
- (ii) the Fund or Funds from which payment is to be made;
- (iii) the purpose for which the obligation to be paid or reimbursed was incurred and whether the payment is of Decommissioning Costs, Pre-Shutdown Decommissioning Costs, Spent Fuel Management Costs, or Administrative Costs; and
- (iv) the party to which the payment shall be made.

Except for disbursements for Administrative Costs, no disbursements or payments from the the South Texas Project Unit No. 1 Fund or the South Texas Project Unit No. 2 Fund shall be made by the Trustee unless the Trustee has first provided thirty days prior notice of such disbursement or payment to the NRC and the Trustee has not received written notice of an objection from the NRC Director, Office of Nuclear Reactor Regulation, by the later of (1) the date that is thirty days after the giving of such notice, or (2) the date of disbursement.

- (4) Payment of Administrative Costs. The Trustee shall pay Administrative Costs when a completed Disbursement Certificate, signed by two Authorized CPS Energy Representatives as provided in Paragraph 2.3(2), is filed with the Trustee. The invoice or bill for such costs shall be attached to the Certificate, if such invoice or bill is

available. The Trustee shall retain at least one copy of each Disbursement Certificate, including attachments, received pursuant to this Section 2.3.

- 2.4 Adjustments for Erroneous Contributions. The Trustee and CPS Energy understand and agree that if any contribution made by CPS Energy to any Fund from time to time is found by CPS Energy to be made in error, upon verification of CPS Energy setting forth the amount of the Erroneous Contribution, such Erroneous Contribution (together with any income accrued thereon as determined by CPS Energy) shall be returned to CPS Energy as specified in a Certification to the Trustee.
- 2.5 No Transfers Between Fund Accounts. The Trustee and CPS Energy understand and agree that no transfer of monies is to occur between the Fund Accounts except when explicitly indicated by a Certificate of CPS Energy that such transfer is necessary to effectuate the purposes of this Master Trust. Following execution of this amended Agreement, CPS Energy staff shall produce a Certificate of CPS Energy to direct allocation of funds among the the South Texas Project Unit No. 1 Fund, the South Texas Project Unit No. 2 Fund, the South Texas Project Fuel Storage Fund, and the the South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund.
- 2.6 Designation of Funds. Upon: (a) the initial contribution to the Master Trust; (b) the remittance of subsequent contributions to the Master Trust pursuant to Section 2.1; (c) any disbursements from the Master Trust for Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs pursuant to Section 2.3 or for Administrative Costs pursuant to Section 3.1 or Paragraph 4.1(1); or (d) any adjustment to the Funds pursuant to Sections 2.4 or 2.5, CPS Energy shall designate, by Certificate, the appropriate Fund Account(s) to be credited or debited by such contribution, disbursement, or adjustment, and the Trustee shall credit or debit the appropriate Fund Account(s) in accordance with such Certificate.
- 2.7 Distribution of Income.

(1) Generally. The Trustee shall not be precluded from pooling Decommissioning Contributions received for each of the Fund Accounts for investment purposes and may treat each Fund Account's Decommissioning Contributions as having received or having accrued a ratable portion of the Master Trust income in any year. However, all such contributions and income (and investments of such) must be reported separately on individual account statements for each Fund Account. No pooling of the Funds with any other funds controlled by the Trustee or to which the Trustee has access shall be allowed.

(2) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the provisions of Section 113.102 of the Texas Trust Code.

(3) Transfer of Income to Principal. As of the end of each accounting year of the Master Trust, as defined in Section 6.8, the income of the Master Trust, for purposes of all subsequent accounting years, shall be transferred and shall be incorporated into the principal of the Master Trust.

2.8 Transferability of Interest. The interest of CPS Energy in the Master Trust is not transferable by CPS Energy involuntarily nor is it subject to the claims of creditors of CPS Energy, provided, however, that CPS Energy and/or any creditor of CPS Energy for which a Disbursement Certificate has been properly completed and submitted to the Trustee by CPS Energy may assert a claim, in court or otherwise, directly against the Master Trust in an amount not to exceed the amount specified on such Disbursement Certificate, if the Trustee does not disburse the amount of funds covered by the Disbursement Certificate within 90 days of its receipt by the Trustee. Nothing herein shall be construed to require a transfer of all or a part of CPS Energy's interest in the Master Trust upon sale of all or a part of CPS Energy's ownership interest in the Plant which

is the subject of this Agreement. Should a sale of all or a part of CPS Energy's ownership interest in the one or more Units of the Plant be consummated, the Fund Account(s) established for such Unit or Units shall be distributed as provided in Section 2.11 of this Agreement.

2.9 Irrevocability and Termination of Master Trust. Subject to the right of the parties to amend this Agreement as provided in Section 2.12, this Master Trust shall be irrevocable and will terminate (in whole or in part) upon receipt by the Trustee of a Certificate from CPS Energy stating the extent of the termination and (i) that the decommissioning of the Plant or one of the Units has been completed; (ii) that the NRC has terminated the licenses of one or both Units; or (iii) that CPS Energy has disposed of all or a part of its ownership interest in one or both Units of the Plant.

2.10 Termination of Funds of Master Trust. One or more of the Funds which are the subject of this Master Trust shall terminate upon the following:

- (1) final payment of all Decommissioning Costs and/or Administrative Costs associated with one or both Units;
- (2) termination of the licenses of one or both Units by the NRC; or
- (3) the disposition by CPS Energy of all or a part of its ownership interest in one or both Units.

2.11 Distribution of Master Trust Upon Termination. Upon partial or complete termination of this Master Trust, the Trustee shall assist, if necessary, in liquidating the assets of the Master Trust, and thereafter distribute the then-remaining assets of the Master Trust (including accrued, accumulated, and undistributed net income) to the extent of the termination less final Administrative Costs to CPS Energy.

2.12 Alterations and Amendments. The Trustee and CPS Energy understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate

the purpose of this Master Trust, including, but not limited to, amendments necessary to comply with requirements of the NRC, amendments consistent with qualifying income from trust investments as tax exempt under the Internal Revenue Code, or other amendments not inconsistent with the use of trust funds solely for decommissioning purposes as provided herein. CPS Energy reserves the right at any time to amend in whole or in part any or all of the provisions of this Agreement by an instrument in writing duly acknowledged and delivered to the Trustee; provided, however, that no such amendment which affects the rights, duties, responsibilities or immunities of the Trustee may be made without its consent.

- 2.13 Notice Regarding Disbursements or Payments. Except for (i) payments of ordinary Administrative Costs (including taxes) and other incidental expenses of the fund (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the fund, (ii) withdrawals being made under 10 CFR 50.82(a)(8), (iii) adjustments for Erroneous Contributions pursuant to Section 2.3 hereof, (iv) transfer of monies between the Fund Accounts in accordance with Section 2.4 hereof (pursuant to a Certificate of CPS Energy that such transfer is necessary to effectuate the purposes of this Master Trust), and (v) payment of Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs, no disbursement or payment may be made from the trust until written notice of the intention to make a disbursement or payment has been given to the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment. The disbursement or payment from the trust may be made following the 30-working day notice period if no written notice of objection from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, is received by the Trustee or the Company within the notice period. The required notice may be made by the Trustee or on the Trustee's behalf. No such notice is required for withdrawals being made pursuant to 10 CFR 50.82(a)(8)(ii), including withdrawals made during the operating life of the plant to be used for decommissioning planning. In addition, no such notice is required to be made to the NRC after decommissioning has begun and

withdrawals are being made under 10 CFR 50.82(a)(8).

- 2.14 Disbursements or Payments for and Account of Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs. Following reallocation of funds in accordance with Section 2.4, only Pre-Shutdown Decommissioning activities may be paid for from the South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund and only Spent Fuel Management activities may be paid for from the South Texas Project Units 1 & 2 Spent Fuel Management Fund; and Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs may not be recovered from any other funds or accounts that are part of the Master Trust. Amounts held in the South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund and the South Texas Project Units 1 & 2 Spent Fuel Management Fund shall not be counted toward minimum funding amounts for Decommissioning established in NRC regulations. In the event that funds remain in either the South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund or the South Texas Project Units 1 & 2 Spent Fuel Management Fund following completion of all Pre-Shutdown Decommissioning activities or Spent Fuel Management activities, such funds may be designated by CPS Energy via Certificate to the Master Trust for Decommissioning Costs and used for Decommissioning activities until those funds are exhausted or Decommissioning has been completed.

### **ARTICLE 3 - TRUST MANAGEMENT AND ADMINISTRATION**

- 3.1 Management Duties. CPS Energy, by and through the Authorized CPS Energy Representatives as specified in Paragraph 1.1(3), shall oversee the investments of the Master Trust and perform all duties attendant thereto, including, but not limited to, (a) the direction of the investment of assets of the Master Trust, (b) the preservation and protection of any interests of the Master Trust and its assets, (c) the appointment of Investment Manager(s), who may include the Trustee, who are independent and outside of the administrative control of CPS Energy, who shall make day-to-day decisions regarding investments of the Master Trust consistent with the applicable laws and



regulations governing such Master Trust investments, and (d) the execution of whatever contracts, agreements, or other documents it deems necessary to manage the Funds of the Master Trust. CPS Energy may retain the services of such professional advisors, legal counsel, and administrative support as it deems necessary to carry out its responsibilities. The reasonable fees and/or compensation for any such assistance CPS Energy may desire to retain shall be regarded as Administrative Costs payable in accordance with Section 2.2 as approved by CPS Energy.

3.2 Evaluation of Trustee and Investment Manager(s). CPS Energy shall evaluate the performance of the Trustee and any Investment Manager(s) annually and submit a written report to the CPS Energy Board of Trustees. The report shall include, at a minimum:

- (1) A finding, with supporting analysis, as to whether the current Trustee and Investment Manager(s) should be retained or replaced;
- (2) A justification for the use of one or more Investment Manager(s) (if applicable); and
- (3) An itemized accounting of the Master Trust administration expenses and their basis, and all other expenditures from the Master Trust.

At least once every five (5) years, CPS Energy shall evaluate potential substitute Trustees and submit a report to the CPS Energy Board of Trustees. This report may be combined with the annual report described above and shall include, at a minimum:

- (1) A description of CPS Energy's attempts to solicit proposals from other firms which can perform the trust duties; and
- (2) An evaluation of at least three (3) organizations which could potentially replace the current Trustee.

Notwithstanding the paragraph above, CPS Energy shall not be required to solicit proposals to replace a Trustee(s) who, in the judgment of CPS Energy, is performing adequately and has served as Trustee for less than five (5) years.

3.3 Limitations on Trustee Actions. The Trustee shall not take any action or participate in any transaction which would violate the terms and conditions of any instructions provided by CPS Energy pursuant to Section 3.4 so long as the terms and conditions are consistent with this Agreement.

3.4 Instructions to Trustee. All orders, directions, requests, instructions and Certifications by CPS Energy to the Trustee shall be in writing, signed by two Authorized CPS Energy Representatives (one of which must be the General Manager & CEO or the Treasurer, or Assistant Treasurer as applicable). The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of CPS Energy has occurred. The Trustee shall have no duty to act in the absence of such orders, directions, requests, instructions, and Certifications from CPS Energy.

#### **ARTICLE 4 - TRUSTEE**

4.1 General Powers. The Trustee shall hold all property of the Funds in trust in the Master Trust. The Trustee shall have, with respect to the Master Trust, the following powers, all of which are to be exercised in a fiduciary capacity and in the best interests of CPS Energy, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine. Except as otherwise provided, this list is intended in no way to limit the powers of the office.

- (1) Payment of Administrative Costs. To pay all Administrative Costs as defined in Paragraph 1.1(1), but only upon written authorization of CPS Energy.

- (2) Registration of Securities. To register and to hold in trust any bonds, securities, and/or other property in the Funds in the name of the Master Trust or to deposit or arrange for deposit of any securities issued by the U. S. government, or any agency or instrumentality thereof, in trust in book entry form with a Federal Reserve Bank; provided, however, that at all times the books and records of the Trustee show that all such securities are part of the Master Trust.
- (3) Receipt of Money. To collect and receive any and all money or other property due to the Master Trust or any fund and to give full receipt therefor.
- (4) Resolution of Claims. To commence or defend suits or legal proceedings, to protect any interest of the Trustee, providing such action has been previously approved by CPS Energy and, with the permission of CPS Energy, to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal.
- (5) Location of Assets. To hold any property belonging to the Master Trust at any place in the United States with the prior approval of CPS Energy.
- (6) Retention of Professional Services. To execute any of the powers under this Agreement and to perform the duties required of it hereunder by or through its employees, agents, attorneys, or receivers, except as limited by Section 4.1 (10) of this Trust Agreement. Any costs and expenses of its employees and agents or any costs and expenses associated with the retention of professional services by the Trustee shall be borne by the Trustee.
- (7) Powers of Trustee to Continue Until Final Distribution. To exercise any powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal and income of the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of

the Master Trust will occur as soon as possible upon termination of the Master Trust, subject, however, to the limitations contained in Sections 2.9 and 2.10.

- (8) Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Agreement, provided, however, that the Trustee may not do any act or knowingly engage in any transaction which would:

(a) Contravene any provision of this Agreement; or

(b) Violate the terms and conditions of any instructions, Certifications, or other directions provided by CPS Energy.

- (9) Texas Trust Code. To exercise all rights, powers, options and privileges now or hereafter granted to, provided for or vested in Trustees under the Texas Trust Code, except such as conflict with the terms of this Agreement or applicable law. As far as possible, no subsequent legislation or revelation shall be in limitation of the rights, powers, options or privileges granted to the Trustee under this Agreement or in the Texas Trust Code as it exists at the time of the execution of this Agreement or any subsequent amendment.

- (10) Subcustodians. To provide trustee, custodial and subcustodial services for all investments of the Funds, either directly or through its affiliates or divisions, unless the Trustee has obtained the prior written approval of CPS Energy to use another entity as a subcustodian or subtrustee. Notwithstanding the above, without the prior written approval of CPS Energy the Trustee may entrust property of the Funds to national or regional depositories or clearing agencies such as the Depository Trust Company and Federal Reserve Banks provided that (1) the property is held in an account which contains only property held by the Trustee as custodian or trustee for its customers; (2) the property is separately identified on the books of the Trustee as being held in its

capacity as Trustee of the Master Trust; and (3) the property so held is subject only to the instructions of the Trustee, which in turn shall be subject to the provisions of this Master Trust Agreement.

4.2 Designation and Qualification of Successor Trustee(s) by CPS Energy. CPS Energy shall have the power to appoint the Trustee and all successor Trustees for the Master Trust. CPS Energy by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole Trustee. The Trustee shall act in accordance with the directions and Certifications provided to it by CPS Energy under the terms of this Agreement. The Trustee shall be removed and replaced with a successor Trustee as provided below:

- (1) In the event that the Trustee then serving shall: (a) relinquish or suffer a revocation of its authority to act as a fiduciary; (b) become insolvent or admit in writing its insolvency; (c) be unable or admit in writing its inability to pay its debts as such debts mature; (d) make a general assignment for the benefit of creditors; (e) have an involuntary petition in bankruptcy filed against it; (f) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation, law, statute or proceeding; or (g) be subject to receivership under the authority of the Federal Deposit Insurance Corporation or the Comptroller of the Currency, the Trustee shall automatically be replaced and shall immediately transfer and pay over to such successor Trustee the monies and assets then constituting the Master Trust and its Funds to a successor Trustee appointed by the General Manager & CEO of CPS Energy and in accordance with any instructions contained in a Certificate of transfer issued by CPS Energy.
- (2) In the event that the Trustee then serving shall fail to meet the financial criteria and qualifications set by CPS Energy from time to time, CPS Energy may immediately remove the Trustee upon written notice delivered to such Trustee and the Trustee

shall immediately transfer and pay over to such successor Trustee the monies and assets then constituting the Master Trust and its Funds to a successor Trustee appointed by the General Manager & CEO of CPS Energy and in accordance with any instructions contained in a Certificate of transfer issued by CPS Energy.

- (3) In any instances other than those described in Sections 4.2 (1) and (2), CPS Energy shall have the right to remove the Trustee then serving at any time and for any or no reason and appoint a successor Trustee upon thirty (30) days notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In these instances, the successor Trustee shall accept its appointment to serve as Trustee of this Master Trust by executing a written and acknowledged acceptance delivered to CPS Energy, which acceptance shall also specify the date on which the successor Trustee will assume administration of the Master Trust, at least ten (10) business days before such appointment. CPS Energy shall provide a copy of this acceptance to the Trustee then serving. The Trustee then serving, on the effective date of the transfer, shall assign, transfer and pay over to such successor Trustee the monies and assets then constituting the Master Trust and its Funds.
- (4) The CPS Energy Board of Trustees shall ratify the appointment of any successor Trustee selected by the General Manager & CEO of CPS Energy, or select another successor Trustee. Any successor Trustee shall have all the rights, powers, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as Trustee hereunder.

4.3 Resignation. The Trustee or any successor Trustee may resign at any time by written notice which shall be delivered to CPS Energy not less than ninety (90) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to CPS Energy. CPS Energy shall appoint a successor Trustee effective as of the effective date of the resignation, and

the Trustee then serving shall assign, transfer and pay over to such successor Trustee the monies and assets then constituting the Master Trust and its Funds.

If for any reason CPS Energy cannot or does not act in the event of the resignation of the Trustee, the Trustee then serving may apply to a court of competent jurisdiction for the appointment of a successor Trustee. Any reasonable expenses incurred by the Trustee in connection with the appointment of a successor Trustee by the court shall be deemed to be Administrative Costs payable in accordance with Paragraph 4.1(1).

- 4.4 Merger of Trustee. Any corporation into which the Trustee may be merged or with which it may be consolidated, any corporation to which Trustee transfers all or substantially all of its trust business or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, shall be the successor Trustee under this Agreement without the necessity of executing

or filing any additional acceptance of this Agreement or the performance of any further action on the part of any parties hereto.

- 4.5 Compensation. The Trustee shall be entitled to compensation from the Master Trust per the fee schedule set forth in its entirety in Attachment C. This fee schedule is guaranteed for a period of five (5) years. The fee schedule may be revised upon mutual agreement of CPS Energy and the Trustee at the end of this period.

All Trustee fees shall constitute Administrative Costs, shall be billed by the Trustee on a quarterly basis and shall be forwarded to CPS Energy at the address provided in Section 6.5.

- 4.6 Maintenance of Fund Accounts. The Trustee shall maintain a separate Fund Account for each Fund established under Section 1.4 of this Agreement to account for Decommissioning Contributions made to each Fund Account, all income and other increments earned in each Fund Account, and disbursements from each Fund Account subject to the provisions of Section 2.5.

- 4.7 Account Statements. The Trustee shall present financial statements to CPS Energy on a monthly basis (within ten (10) business days following the end of each month), or at such other frequency as CPS Energy shall from time to time require. The financial statements shall show (a) the financial condition of the Master Trust, including, without limitation, beginning and ending Fund balances, all contributions, investments, income received, disbursements made (including Administrative Costs) and all other transactions hereunder, for the statement period; (b) a description of all securities and investments purchased and sold, with the cost and net proceeds of such purchases or sales; and (c) all cash, securities and other property held by each Fund Account at the end of the period and providing a valuation of such property at such period end. All accounts, books and records relating to the Master Trust and the Fund Accounts shall be open at all reasonable times to inspection by CPS Energy or by any other person designated by CPS Energy. CPS Energy shall assume responsibility for employing independent certified public accountants to audit the financial statements of the Master Trust not less frequently than annually.

Within thirty (30) days following the close of the Master Trust's accounting year as defined in Section 6.8, the Trustee shall prepare and furnish to CPS Energy a written report setting forth with respect to each Fund beginning and ending Fund balances, all contributions, investments, receipts, disbursements and other transactions effected by it during the preceding fiscal year, including a description of all securities and investments purchased and sold, with the cost and net proceeds of such purchases or sales, showing all cash, securities and other property held by each Fund Account at the end of the year and providing a valuation of such property at such year end.

Within sixty (60) days following the removal or resignation of a Trustee as provided in Sections 4.2, 4.3 and 4.4, the Trustee shall prepare and furnish to CPS Energy and to any successor Trustee a written report containing all of the information required for fiscal year-end statements with respect to the period from the close of the previous fiscal year to the date of removal or resignation.



Copies of all records relating to the Master Trust and each of the Fund Accounts shall be maintained by the Trustee until the termination of the Master Trust and distribution of all of the assets of the Master Trust (even if the Trustee is not then serving as Trustee). Such copies may be maintained on microfilm or microfiche.

- 4.8 Liability. The Trustee shall be liable for the acts, omissions or defaults of its officers, employees and agents. Unless the Trustee participates in or undertakes to conceal an act or omission of CPS Energy or an Investment Manager(s), knowing such act or omission to be a breach of the Agreement by CPS Energy or the fiduciary responsibility of an Investment Manager(s), the Trustee shall be under no liability by reason of any action taken or not taken by it in accordance with any Certification or other writing of CPS Energy or any Investment Manager(s), provided such directions and/or instructions contained in a Certification or other writing are necessary and proper to effectuate and carry out the purpose of the Master Trust and the powers granted under this Agreement or any Investment Management Agreement. In any event, the Trustee shall be under no liability for any loss of any kind by reason of changes in value of the authorized investments purchased, sold, or retained by CPS Energy or any Investment Manager(s), nor for the risk or diversification of the portfolio, nor for the turnover of the investments.

The Trustee is prohibited from doing any act or engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate or other writing of CPS Energy, or contravening any provision of this Agreement. Upon receipt of notice of either (a) instructions and/or Certifications of CPS Energy to the Trustee, or (b) acts or transactions CPS Energy believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions and/or Certifications of CPS Energy, and/or cease and desist from the acts or transactions identified in such Certification or writing as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions and/or Certifications of CPS Energy, or continues with any act or transaction identified in such Certification or writing

as violating the provisions of this Agreement, from the date of receipt of the Certification or writing providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee shall be liable for all consequences resulting from such failure. Notwithstanding the foregoing, the Trustee shall be liable for all consequences resulting from any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by CPS Energy, and as of the date of such violation.

#### **ARTICLE 5 - INVESTMENTS AND INVESTMENT POWERS**

5.1 Appointment/Removal/Resignation of Investment Manager(s). CPS Energy may direct the investment of all or a specified portion of the Master Trust; provided, however, that day-to-day decisions regarding investments of the Master Trust shall be made by an independent Investment Manager. Additionally, CPS Energy may appoint one or more Investment Managers by separate agreement to direct the investment of all or a specified portion of the Master Trust. The appointment of the Investment Manager(s) shall be made in accordance with procedures specified by CPS Energy. CPS Energy shall provide written notice of any appointment of an Investment Manager(s) to the Trustee. The Investment Manager(s) shall certify in writing to CPS Energy and the Trustee that it is qualified to act in the capacity provided under an Investment Management Agreement, shall accept its appointment as Investment Manager in writing, shall certify the identity of the person or persons authorized to give instruction or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under an Investment Management Agreement executed by it and CPS Energy. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by CPS Energy or the Investment Manager(s), as the case may be.

CPS Energy shall also have the right to remove any appointed Investment Manager. In the event that an Investment Manager should resign or be removed, CPS Energy shall manage the portion of the Trust previously managed by said Investment Manager pursuant to the provisions of this

Trust unless the Trustee is notified of the appointment of another Investment Manager with respect to such portion.

5.2 Investment Direction by CPS Energy and/or Investment Manager(s). CPS Energy and/or any Investment Manager(s) appointed by CPS Energy to manage all or a specified portion of the Master Trust shall have authority to manage and direct the acquisition and disposition of the assets of all or a specified portion of the Master Trust over which it has designated investment authority. Only investments specified in Paragraph 5.4(b) of this Master Trust are authorized trust investments. CPS Energy and/or the Investment Manager(s) shall have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of Fund securities directly with brokers or dealers. The Trustee, upon proper notification from CPS Energy or an Investment Manager, shall have the authority to, and shall execute, settle and deliver in accordance with the appropriate trading authorizations. Written notification of the issuance of each authorization shall be given promptly to the Trustee by CPS Energy or the Investment Manager(s), and CPS Energy or the Investment Manager(s) shall cause the execution of such order to be confirmed in writing to the Trustee by the broker or dealer.

The authority of any Investment Manager(s) and the terms and conditions of the appointment and retention of any Investment Manager(s) shall be the sole responsibility of CPS Energy. Any duty of supervision or review of the acts, omissions or overall performance of any Investment Manager(s), other than those necessary and proper to effectuate and carry out the purpose of the Master Trust and powers granted under this Agreement or any Investment Management Agreement, shall be the exclusive responsibility of CPS Energy. The Trustee shall have no duty to make suggestions to any Investment Manager(s) or to CPS Energy with respect to the exercise of or the failure to exercise any power by the Investment Manager(s), except that the Trustee shall have the duty to review any securities or other assets purchased by CPS Energy or any Investment Manager(s) to ensure compliance and conformity with investment restrictions as provided in

Paragraph 5.4(b) of this Agreement and/or any of the relevant investment provisions of any Investment Management Agreement between CPS Energy and any Investment Manager.

5.3 Trustee's Investment Powers. The Trustee acknowledges and recognizes the authority of CPS Energy and/or the Investment Manager(s) to manage and to direct the investment and reinvestment of the assets of the Master Trust as provided in Sections 3.1 and 5.2 of this Agreement and/or pursuant to an Investment Management Agreement executed between CPS Energy and an Investment Manager(s). The Trustee agrees to cooperate with CPS Energy and/or the Investment Manager(s) as necessary to facilitate the exercise of these powers. CPS Energy directs the Trustee, without further written authorization by CPS Energy, to invest cash balances on a daily basis in interest-bearing, fully collateralized accounts, or other investments which are authorized investments under the applicable sections of Title 9 of the Texas Property Code, as it may be amended from time to time, including a fiduciary money market fund, until directed to do otherwise by CPS Energy and/or an Investment Manager.

5.4 CPS Energy's Investment Management Powers. CPS Energy's Investment Manager shall have the following investment management powers, all of which are to be executed in a fiduciary capacity and in the best interest of CPS Energy, and which are to be exercised by CPS Energy in its discretion:

- (a) Preservation of Principal. To direct the investment of the assets of the Master Trust in a manner designed to maximize and preserve the income and principal of the Master Trust for the purposes of the Master Trust, pursuant to subsections (b) and (c);
- (b) Investment of Funds. To direct the investment and reinvestment of all or part of the Funds, including any undistributed income, as directed in the City Public Service South Texas Project Decommissioning Trust Investment Policy and specifically, Appendix A, CPS Trust (Attachment D). Furthermore, the Funds may not be invested in any securities issued by CPS Energy, the City of San Antonio, any of its agencies, or any

utility which has ownership of nuclear generating capacity. In all cases, however, the total investments must be sufficiently liquid to enable the Master Trust to fulfill the purposes of the Master Trust and to satisfy obligations as such obligations become due;

(c) Management of Master Trust.

- (1) To direct the sale, exchange, conveyance, partition, or other disposition of all or any part of the Master Trust, at public or private sale, on such terms, in such manner and at such prices as CPS Energy shall determine;
- (2) To direct the modification, renewal or extension of bonds, notes or other obligations or any installment of principal or any interest due thereon and the waiver of any defaults in the performance of the terms and conditions thereof;
- (3) To direct and authorize the Trustee to make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments in connection with these powers, at such times, in such manner and on such terms and conditions as CPS Energy may deem expedient to accomplish the purpose of the Master Trust as set forth in Section 1.3; and
- (4) To direct and authorize the Trustee to renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Master Trust, for as long a period or periods of time and on such terms as CPS Energy shall determine; and to direct and authorize the Trustee to adjust, settle, compromise, and arbitrate claims or demands in favor of or against this Master Trust, on such terms as CPS Energy may deem advisable.

- (d) Disposition of Investments. When required to make any distributions under Section 2.2 or Section 4.1(1), the Trustee shall sell investments at the best price reasonably

obtainable, or present investments for prepayment, but only as directed by CPS Energy in writing. The Trustee shall have no liability, except for its own negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by CPS Energy or an Investment Manager or made at the direction of CPS Energy or an Investment Manager through a broker/dealer.

- (e) Self-Dealing. Notwithstanding anything contained in this Agreement to the contrary, CPS Energy may not authorize any sale, exchange or other transaction which would constitute an act of "self dealing" within the meaning of Sections 113.052 and 113.053 of the Texas Trust Code, as it may be amended from time to time.

## **ARTICLE 6 - MISCELLANEOUS**

6.1 Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

6.2 Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company, or corporation.

6.3 Interested Parties. CPS Energy shall have the right and power to enforce any and all provisions of this Master Trust Agreement in a court of competent jurisdiction. Nothing expressed or implied in this Agreement is intended or shall be construed to confer on, or to give to, any person or corporation, other than CPS Energy and the Trustee, any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein, except as provided for in Section 2.7. CPS Energy shall be entitled to receive payments for

Decommissioning Costs and Administrative Costs of the Master Trust which CPS Energy may incur in carrying out the purpose set forth in Section 1.3 of this Agreement.

6.4 Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid, illegal or unenforceable, the application of such provision to persons and in circumstances other than those to which it is invalid, illegal or unenforceable and to the other provisions of this Agreement shall not be affected by such invalidity, illegality or unenforceability.

6.5 Delivery of Notices Under Agreement. Any notice, communication or billing for Trustee's fees required by this Agreement to be delivered to CPS Energy or any notice, certification or communication to the Trustee shall be deemed to have been delivered when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to CPS Energy:

City Public Service  
145 Navarro  
P. O. Box 1771  
San Antonio, Texas 78296-1771  
Attention: Treasurer

If to the Trustee:

Frost National Bank  
Retirement Services Division  
P.O. Box 2950  
San Antonio, Texas 78299-2950  
Attention: Project Decommissioning  
CPS Trust

CPS Energy or Trustee may change its address by delivering notice in writing to the other party.

6.6 Successors and Assigns. Subject to the provisions of Sections 2.7, 4.2, 4.3 and 4.4, this Agreement shall be binding on and inure to the benefit of CPS Energy, the Trustee and their respective successors and assigns. This Agreement may not be assigned to any other party in whole or in part without the prior written consent of both parties to this Agreement. Except as provided in Section 4.1 (10), the duties of the Trustee may not be delegated by the Trustee without the prior written consent of CPS Energy.

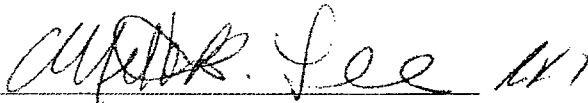
- 6.7 Governing Jurisdiction. This Agreement is a Texas trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws of the State of Texas as if executed in and to be wholly performed within the State of Texas.
- 6.8 Accounting Year. The Master Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.
- 6.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures were on the same instrument.
- 6.10 Financial Accounting of Trustee. Any bank serving as the Trustee of the Master Trust shall provide quarterly financial statements on the financial condition of the bank and shall also submit evidence to the CPS Energy Board of Trustees that the bank is satisfying the capital reserve requirements established by the Federal Reserve.
- 6.11 Effective Date. This amended Restated Decommissioning Master Trust Agreement is effective March 31, 2009.



IN WITNESS WHEREOF, CPS Energy and the Trustee have set their hands and seals to this Agreement this 31 day of MARCH, 2009.

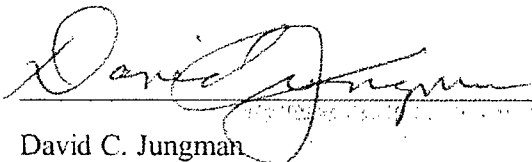
CITY PUBLIC SERVICE

Attest:



Milton B. Lee

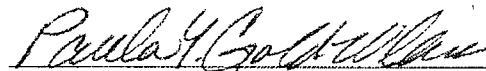
General Manager & CEO



David C. Jungman

Assistant Treasurer

By:



Paula Y. Gold-Williams

Treasurer

FROST NATIONAL BANK (as Trustee)

Attest:



Name: STEVEN A. KLEIN

Title: VICE PRESIDENT

By:



Name: Gregory P. Draper

Title: Executive Vice President

## ATTACHMENT A DECOMMISSIONING TRUST DISBURSEMENT CERTIFICATE

### INSTRUCTIONS

This certificate is required for decommissioning or administrative costs actually incurred by CPS Energy and paid or payable to any person or organization or for reimbursement of decommissioning or administrative costs previously paid by CPS Energy to any person or organization in connection with the decommissioning of the applicable plant or the administration of the CPS Trust.

### AUTHORIZATIONS

The certificate shall be submitted to the Trustee and must be signed by two authorized representatives of CPS Energy, one of whom must be the General Manager & CEO or the Treasurer if the disbursement is for decommissioning costs; and one of whom must be the General Manager & CEO, Treasurer or Assistant Treasurer if the disbursement is for administrative costs and subject to the following limits:

\$50,000 or less – Assistant Treasurer plus Authorized CPS Energy Representative

\$1,000,000 or less – Treasurer plus Authorized CPS Energy Representative

Over \$1,000,000 – General Manager and CEO plus Authorized CPS Energy Representative

Except for disbursements for administrative costs, no disbursements or payments from the funds shall be made by the Trustee unless the Trustee has first provided thirty days prior notice of such disbursement of payment to the NRC and the Trustee has not received written notice of an objection from the NRC Director, Office of Nuclear Reactor Regulation, by the later of (1) the date that is thirty days after the giving of such notice, or (2) the date of disbursement.

### DECOMMISSIONING FUND DISBURSEMENT REQUIRED INFORMATION

- Amount of money to be paid.
- Funds from which payment is to be made.
- Purpose for which the obligation to be paid or reimbursed was incurred.
- Indication as either decommissioning or administrative costs.
- The party to which the payment shall be made.


### AUTHORIZATION

Authorized CPS Energy signatures: \_\_\_\_\_

_____ Milton B. Lee General Manager and CEO	_____ Date
_____ Paula Gold-Williams Executive Vice President & CFO Treasurer	_____ Date

_____ David C. Jungman Senior Director Finance Assistant Treasurer	_____ Date
_____ Authorized CPS Energy Representative	_____ Date

The support must first be reviewed and approved by a designated person in Cash Management.

For CPS Use Only

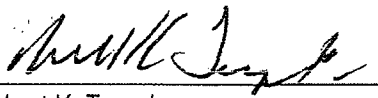
	Invoices Received from 3rd party      Date: _____      Initial: _____
Invoices Received from authorized parties	Date: _____      Initial: _____
Invoices Sent to Frost	Date: _____      Initial: _____

### CERTIFICATE OF ASSISTANT SECRETARY

The undersigned Assistant Secretary of the City Public Service Board of San Antonio ("CPS Energy"), an independent board of the City of San Antonio, a Texas municipal entity, in his capacity as an officer of CPS Energy and not individually, does hereby certify that:

Attached here to is a true and correct copy of the "Resolution by the City Public Service Board of San Antonio, Texas relating to the City Public Service Restated Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company: Master Trust (TCC Funded) Revised February 4, 2009 was passed on March 2, 2009".

This Certificate was duly executed on April 8, 2008.



Robert K. Temple  
Assistant Secretary to the  
City Public Service Board

(Seal)

**CITY PUBLIC SERVICE OF SAN ANTONIO  
DECOMMISSIONING TRUST INVESTMENT POLICY RESOLUTION**

**WHEREAS**, section 1502.070 of the Texas Government Code vests management and control of the CPS Energy gas and electric systems in the Board of Trustees of CPS Energy (the "Board"), including management and control over the purchasing activities of the systems; and

**WHEREAS**, the Board is responsible for the prudent handling and control of funds and investments of the City Public Service Board, the City Public Service Restated Decommissioning Master Trust for the South Texas Project (the "CPS Trust"), and the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company (the "Master Trust (TCC Funded)"); and

**WHEREAS**, CPS Energy desires the approval of a resolution acknowledging that a review of the City Public Service South Texas Project Decommissioning Trust Investment Policy ("Decommissioning Trust Investment Policy" or "Policy") has been completed and adopting the Decommissioning Trust Investment Policy as is. The Public Funds Investment Act of Texas requires that the governing body of a local governmental entity review its investment policies and investment strategies not less than annually. Changes to the Policy include the addition of a South Texas Project Pre-Shutdown Decommissioning sub-account to the CPS Trust and the addition of South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund (TCC Funded) and South Texas Project Units 1 & 2 Spent Fuel Management Fund (TCC Funded) to the Master Trust (TCC Funded). No other substantive changes were made to the Policy; and

**WHEREAS**, the CPS Energy staff has verified and represents to the Board of Trustees that the Decommissioning Trust Investment Policy as attached hereto is in compliance with the requirements of the U.S. Nuclear Regulatory Commission, Public Utility Commission of Texas, Texas Public Funds Investment Act, Property Code Subtitle B, Title 9, where applicable;

**WHEREAS**, the CPS Energy staff has verified and represents to the Board of Trustees that the Decommissioning Trust Investment Policy as attached hereto is in compliance with the requirements of the City Public Service Restated Decommissioning Master Trust Agreement for the South Texas Project, and the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company, and is hereby adopted and incorporated into this resolution by reference;

**WHEREAS**, the Board of Trustees shall review the Decommissioning Trust Investment Policy on an annual basis; and

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby approves and adopts the Decommissioning Trust Investment Policy as attached hereto, effective March 2, 2009.

**CITY PUBLIC SERVICE**  
**RESTATED DECOMMISSIONING MASTER TRUST AGREEMENT**  
**RELATED TO THE SOUTH TEXAS PROJECT INTEREST ACQUIRED FROM**  
**AEP TEXAS CENTRAL COMPANY: MASTER TRUST (TCC FUNDED)**  
**REVISED FEBRUARY 4, 2009**

The City of San Antonio, acting by and through the City Public Service Board (hereinafter called "CPS Energy"), having received applications from qualified banks to serve as the Trustee of the Decommissioning Master Trust (TCC Funded), beginning January 1, 2006, and Frost National Bank (hereinafter called the "Trustee") having submitted an application which was found by CPS Energy to be the best and most acceptable application and the same having been accepted by CPS Energy, enter into this Master Trust Agreement (as from time to time amended, modified or supplemented, this "Agreement"), and agree as follows:

**RECITALS**

**WHEREAS**, CPS Energy has owned a 28% undivided interest in the South Texas Project (STP) and maintained a decommissioning trust account and decommissioning trust funds in an irrevocable trust account created and maintained exclusively for the purpose of safely dismantling and disposing of waste from STP which is the subject of a separate decommissioning master trust agreement between CPS Energy and the Trustee;

**WHEREAS**, CPS Energy has acquired from AEP Texas Central Company ("TCC") pursuant to that certain Purchase and Sale Agreement by and between AEP Texas Central Company, CPS Energy and Texas Genco, L.P. dated as of September 3, 2004 (the "PSA") an additional undivided 12% interest in STP ("CPS Energy-acquired interest");

**WHEREAS**, CPS Energy for purposes of this Master Trust (TCC Funded), and with respect to the Master Trust (TCC Funded), is subject to regulation by the Public Utility Commission of Texas (the "PUCT"), an agency of the State of Texas, and by the Nuclear Regulatory Commission (the "NRC"), an agency of the United States government; and

**WHEREAS**, the NRC has promulgated regulations in Title 10, Chapter 1 of the Code of Federal Regulations, Part 50, requiring CPS Energy, as a holder of a license issued pursuant to 10 C.F.R., Part 50, to provide assurance that funds will be available when needed for required decommissioning activities; and

**WHEREAS**, CPS Energy, as an NRC licensee, is subject to NRC jurisdiction and must comply with NRC regulations governing decommissioning activities, including those regulations that make CPS Energy responsible for completing such decommissioning activities, including all administrative activities related thereto; and

**WHEREAS**, the PUCT has adopted PUCT Substantive Rule § 25.303, which, *inter alia*, prescribes TCC's continuing responsibility for collecting decommissioning funds through its rates pursuant to Public Utility Regulatory Act ("PURA") § 39.205; and

**WHEREAS**, pursuant to PUCT Substantive Rule § 25.303 and the PSA, TCC and CPS Energy have entered into a Decommissioning Funds Collection Agreement that provides requirements for TCC's on-going obligations to collect decommissioning funds from its historical customers to fund the decommissioning obligations for the CPS Energy-acquired interest, as amended by Order of the Public Utility Commission of Texas, Docket No. 35786, November 20, 2008 ("PUCT Order in Docket 35786") (the "DFCA"); and

**WHEREAS**, the PUCT has authorized TCC, pursuant to PURA § 39.205, to include in its cost of service for ratemaking purposes certain amounts to be contributed by TCC to decommissioning funds in order to provide monies for the Decommissioning Costs, Spent Fuel

Management Costs, and Pre-shutdown Decommissioning Costs with respect to the CPS Energy-acquired interest; and

**WHEREAS**, CPS Energy and Trustee entered into a master trust agreement effective January 1, 2006, and CPS Energy and Trustee previously agreed the master trust agreement effective January 1, 2006 should be superseded with an agreement effective October 1, 2006; and

**WHEREAS**, CPS Energy and Trustee entered into a master trust agreement effective October 1, 2006, and CPS Energy and Trustee now agree the master trust agreement effective October 1, 2006 should be superseded with this Agreement; and

**NOW, THEREFORE**, in consideration of the above recitals which are incorporated herein and the mutual covenants set forth herein, CPS Energy and the Trustee agree as follows:

#### **ARTICLE 1 DEFINITIONS, PURPOSE AND NAME**

1.1 Definitions. As used in this Decommissioning Master Trust Agreement, the following capitalized terms shall have the following meanings:

- (1) "Administrative Costs" shall mean all ordinary and necessary expenses and other incidental costs incurred in connection with the operation of the Master Trust (TCC Funded) and the Funds, including, but not limited to, Trustee fees, Investment Manager fees, fees and expenses of TCC to the extent authorized by applicable laws, including rules and orders of the PUCT, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by CPS Energy as provided in Section 3.1 or any other fees approved in advance by CPS Energy which are incurred in the discharge of the Trustee's fiduciary obligations under this Agreement.
- (2) "Authorized CPS Energy Representatives" shall mean the General Manager & CEO, the Treasurer, and the Assistant Treasurer of CPS Energy, or any other person designated as

an Authorized Representative. A Certificate documenting the designation of Authorized Representatives will be filed with the Trustee.

- (3) "Board of Trustees" shall mean the Board of Trustees of CPS Energy.
- (4) "Certificate" or "Certification" shall mean a written Certificate signed by two Authorized Representatives of CPS Energy
- (5) "Decommissioning" shall mean the entombment, decontamination, dismantlement, removal and disposal of the structures, systems and components of a Unit, including all preparation for decommissioning, such as engineering and other planning, and all related work with respect to a Unit after actual decommissioning occurs, such as physical security and radiation monitoring, to the extent such activities are part of a decommissioning plan for a Unit approved by the U.S. Nuclear Regulatory Commission (the "NRC") and also including Site Restoration Activities to the extent disclosed in a Decommissioning Study submitted to the NRC; *provided, however*, funds allocated for Site Restoration Activities shall not be counted toward the amount necessary to fund Decommissioning as required by the NRC.
- (6) "Decommissioning Collections" shall mean the amounts collected, whether through payment of bundled rates or a separate tariff rider, including amounts collected through PUCT-approved modifications to the nonbypassable charge, remitted by TCC to the Trustee pursuant to the DFCA.
- (7) "Decommissioning Contributions" shall mean all amounts contributed to the Funds pursuant to the DFCA (or otherwise) for Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs.
- (8) "Decommissioning Costs" shall mean the costs associated with Decommissioning.
- (9) "Decommissioning Funds Collection Agreement" or "DFCA" shall have the meaning set forth in the preamble hereto.



- (10) "Decommissioning Study" shall mean the most recently completed study of costs and work associated with Decommissioning Cost Analysis for the South Texas Project Electric Generating Station Units 1 & 2.
- (11) "Disbursements" shall mean payments incurred by CPS Energy to any other person or organization for Decommissioning Costs or Administrative Costs.
- (12) "Disbursement Certificate" shall mean a document authorizing disbursements from the Funds properly completed and executed by two Authorized Representatives of CPS Energy (one of which must be the General Manager & CEO or Treasurer; the Assistant Treasurer is allowed for purposes of paying Administrative Costs) and substantially in the form of Attachment A of this Agreement.
- (13) "Eligible Investments" shall mean such securities, bank deposits, collective, commingled or mutual funds or other investments that are permitted to be purchased and held for the account of the Fund in which the investment is proposed to be acquired under (1) applicable federal, state and other governmental laws, rules and regulations, including without limitation PUCT Substantive Rule 25.303, and (2) the Investment Guidelines then in effect with respect to the Fund for which the investment is proposed to be acquired. Except for investments in funds tied to market indices or other non-nuclear sector collective, commingled or mutual funds, the assets of the Funds shall not be invested in the securities or other obligations of (i) CPS Energy or affiliates of any thereof, or their successors or assigns, or (ii) any entity owning or operating one or more nuclear power plants or any affiliates, subsidiaries, successors or assigns of any such entity. Notwithstanding anything contained in this Agreement to the contrary, the term "Eligible Investments" when used in reference to the Investment Manager shall mean investments permitted by the applicable Investment Manager Agreement and Investment Guidelines.

- (14) "Erroneous Contribution" shall have the meaning set forth in Section 2.3 of this Agreement.
- (15) "Funds" shall mean the South Texas Project Unit No. 1 Fund (former TCC interest), the South Texas Project Unit No. 2 Fund (former TCC interest), South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund (TCC Funded); and South Texas Project Units 1 & 2 Spent Fuel Management Fund (TCC Funded), collectively.
- (16) "Fund Account" shall mean a separate subaccount established pursuant to this Agreement and maintained by the Trustee for the South Texas Project Unit No. 1 Fund (former TCC interest), and the South Texas Project Unit No. 2 Fund (former TCC interest), South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund (TCC Funded); and South Texas Project Units 1 & 2 Spent Fuel Management Fund (TCC Funded), to account for all Decommissioning Contributions made to each Fund, all income and other increments of each Fund, and all disbursements from each Fund for Decommissioning Costs or Administrative Costs.
- (17) "Fund Administrator" shall have the meaning set forth in the preamble hereto and shall include any successor thereto.
- (18) "Investment Guidelines" shall mean any written statement or statements, attached hereto as Exhibit D, of CPS Energy in effect at a given time that incorporates the investment requirements and restrictions of PUCT Substantive Rule 25.303 and details any other applicable investment criteria and standards which shall be consistent with the investment requirements and restrictions of PUCT Substantive Rule 25.303, with respect to one or more Funds or portions thereof. CPS Energy may at any time, or from time to time, adopt new or additional Investment Guidelines, or amend, supersede, or terminate effective Investment Guidelines by delivering a copy of the new or additional Investment Guidelines or notice of amendment, supersession or termination to the Trustee and any

affected Investment Manager, provided that any such new, amended or additional Investment Guidelines shall incorporate (or be consistent with) the investment requirements and restrictions of PUCT Substantive Rule 25.303.

- (19) "Investment Manager(s)" shall mean the fiduciary specified in an Investment Management Agreement(s):
- (a) which has been retained by CPS Energy to manage, acquire, or dispose of any asset held in the Master Trust (TCC Funded);
  - (b) which is:
    - (i) registered as an investment adviser under the Investment Advisers Act of 1940, or
    - (ii) a bank, as defined in that Act, or
    - (iii) an insurance company qualified to perform services described in subsection (a) above; under the laws of more than one state; and
  - (c) which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust (TCC Funded), that it is qualified to act under subsection (b) above, and that it has agreed to be bound by all of the terms, provisions and covenants of this Agreement applicable to it.
- (20) "Investment Management Agreement(s)" shall mean the agreement(s) (if any) between CPS Energy and any Investment Manager(s) selected by CPS Energy (the forms of such agreement(s) being determined, and the selection of any Investment Manager(s) being made by CPS Energy, which agreement governs the investment management of all or a specified portion of the assets of the Master Trust (TCC Funded).
- (21) "Master Trust (TCC Funded)" shall mean the City Public Service Decommissioning Master Trust (TCC Funded) for the South Texas Project, which shall hold all

Decommissioning Contributions to any Fund, together with investments and reinvestments thereof and any income, earnings and appreciation thereon.

- (22) "NRC" shall have the meaning as set forth in the preamble.
- (23) "Plant" shall mean the South Texas Project, Unit Nos. 1 and 2, collectively
- (24) "Pre-Shutdown Decommissioning" shall mean the removal and disposal of large radioactive components, such as reactor vessel heads and steam generators, that are documented in the Decommissioning Study, but which are not part of Decommissioning or Spent Fuel Management.
- (25) "Pre-Shutdown Decommissioning Costs" shall mean the costs associated with Pre-Shutdown Decommissioning.
- (26) "PUCT" shall mean the Public Utility Commission of Texas.
- (27) "PUCT Order in Docket 35786" shall have the meaning set forth in the preamble hereto.
- (28) "PUCT Substantive Rule 25.303" or "Tex. Admin. Code §25.303" shall mean the rules and regulations adopted by the PUCT, effective October 26, 2004, published in Texas Register as Tex. Public Utility Comm'n Tex. Reg. et seq. (2004) and codified at 16 Tex. Admin. Code §25.303, as such section may be amended, and any successors thereto.
- (29) "PURA" shall mean the Public Utility Regulatory Act, Texas Utilities Code, Title 2 (1997), as amended from time to time.
- (30) "Site Restoration Activities" shall mean the dismantlement of systems, structures and components described in the Decommissioning Study, but which are not classified as "decommissioning" in the NRC's rules and regulations.
- (31) "South Texas Project" or "STP" shall mean the nuclear fueled electric generating facilities owned by CPS Energy and others in Matagorda County, Texas.
- (32) "South Texas Project Unit No. 1" shall mean Unit No. 1 of the South Texas Project.

- (33) "South Texas Project Unit No. 1 Fund (former TCC interest)" shall mean the Fund established and maintained under the Master Trust (TCC Funded) for decommissioning the additional undivided interest in South Texas Project Unit No. 1 acquired by CPS Energy pursuant to the PSA.
- (34) "South Texas Project Unit No. 2" shall mean Unit No. 2 of the South Texas Project.
- (35) "South Texas Project Unit No. 2 Fund (former TCC interest)" shall mean the Fund established and maintained under the Master Trust (TCC Funded) for decommissioning the additional interest in South Texas Project Unit No. 2 acquired by CPS Energy pursuant to the PSA
- (36) "Spent Fuel Management" shall mean the design, procurement, construction, licensing, and operation of an independent spent fuel storage installation and the design, procurement and handling of casks for spent fuel storage and all related security, maintenance and operating activities to the extent such activities are accounted for in the Decommissioning Study, but are not part of Decommissioning or Pre-Shutdown Decommissioning.
- (37) "Spent Fuel Management Costs" shall mean the costs associated with Spent Fuel Management.
- (38) "TCC" means AEP Texas Central Company, a Texas corporation, in its capacity as collection agent under and pursuant to the DFCA, and shall include its successors and assigns, in such capacity.
- (39) "Trustee" shall mean the present Trustee of the Master Trust (TCC Funded) and any successor Trustee.
- (40) "Unit" or "Units" shall mean either South Texas Project Unit No. 1 or No. 2, singularly, or South Texas Project Units No. 1 and No. 2, collectively.

1.2 Authorization. Each of the Trustee and CPS Energy hereby represents and warrants that each has full legal authority and is duly empowered to enter into and bind itself to the terms of this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it. The Trustee warrants that it has a net worth of at least \$100 million.

1.3 Master Trust (TCC Funded) Purpose. The exclusive purpose of this Master Trust (TCC Funded) is to provide, in accordance with 16 Tex. Admin. Code §25.303, monies for the decommissioning of the Plant consistent with 10 C.F.R., Part 50. In that regard, this Master Trust (TCC Funded) shall accumulate, invest, reinvest and hold monies for the decommissioning of the Units, pre-shutdown decommissioning, and related fuel storage to expend monies for that purpose.

1.4 Establishment of Master Trust (TCC Funded). CPS Energy has previously established and maintains, or hereby establishes, and by this Agreement establishes with the Trustee:

- (1) the Master Trust (TCC Funded) and trust subaccounts which shall consist of the trust funds and investments listed in Attachment B and such Decommissioning Contributions as subsequently may be delivered to the Trustee by TCC pursuant to the DFCA, investments and reinvestments thereof, and earnings and appreciation thereon;
- (2) the South Texas Project Unit No. 1 Fund (former TCC interest), and the South Texas Project Unit No. 2 Fund (former TCC interest) each of which shall constitute a separate Fund Account consisting of the Decommissioning Contributions designated for such Fund as may be delivered to the Trustee by TCC pursuant to this Agreement and the DFCA, together with investments and reinvestments thereof and earnings and appreciation thereon;

- (3) the South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund (TCC Funded) which shall constitute a separate Fund Account consisting of the Decommissioning Contributions designated for such Fund as may be delivered to the Trustee by TCC pursuant to this Agreement and the DFCA, together with investments and reinvestments thereof and earnings and appreciation thereon;
- (4) the South Texas Project Units 1 & 2 Spent Fuel Management Fund (TCC Funded) which shall constitute a separate Fund Account consisting of the Decommissioning Contributions designated for such Fund as may be delivered to the Trustee by TCC pursuant to this Agreement and the DFCA, together with investments and reinvestments thereof and earnings and appreciation thereon; and
- (5) CPS Energy appoints the Trustee as trustee of the Master Trust (TCC Funded) and each of the Funds, based on the CPS Energy's determination that the Trustee satisfies, as an initial matter, the requirements of PUCT Substantive Rule 25.303(e)(1)(C).

1.5. Name of Master Trust (TCC Funded): The Trust referred to by this Agreement is known as the "City Public Service Decommissioning Master Trust (TCC Funded) for the South Texas Project."

## ARTICLE 2 DISPOSITIVE PROVISIONS

2.1 Additions to Master Trust (TCC Funded). From time to time after the initial Decommissioning Contribution to the Master Trust (TCC Funded) and prior to the termination of the Trust, TCC may make, pursuant to the DFCA, and the Trustee shall accept, additional Decommissioning Contributions.

2.1.1 Use of Assets. Except for Administrative Costs, the assets in the decommissioning trust funds, in the first instance, shall be used to pay (i) the expenses related to decommissioning the Units as

defined by the NRC in its regulations and issuances, and as provided in the South Texas Project Electric Generating Station licenses and any amendments thereto; (ii) Pre-Shutdown Decommissioning Costs; and (iii) Spent Fuel Management Costs.

2.2 Disbursements from Master Trust (TCC Funded). The Trustee shall make Disbursements to pay Decommissioning Costs or Administrative Costs in accordance with the following procedures:

(1) Authorized Representative. CPS Energy shall promptly notify the Trustee of the designation of any person as its Authorized Representative in addition to those defined under Paragraph 1.1(2) of this Agreement. The name of any person authorized to act on behalf of CPS Energy shall be designated by Certificate, with a specimen signature of such person, delivered to the Trustee by CPS Energy. The Trustee shall have no duty to inquire independently into or investigate the continued authority of any person to act as an Authorized Representative. CPS Energy shall provide the Trustee with written notice of the termination of any Authorized Representative's authority.

(2) Submission of Disbursement Certificate. Disbursement Certificates for Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs actually incurred by CPS Energy and paid or payable to any person or organization or for reimbursement of Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs previously paid by CPS Energy to any person or organization in connection with Decommissioning of the Plant, Pre-Shutdown Decommissioning or Spent Fuel Management shall be submitted to the Trustee and must be signed by two Authorized Representatives of CPS Energy, one of whom must be the General Manager & CEO or the Treasurer.

Disbursement Certificates exclusively for Administrative Costs actually incurred by CPS Energy and paid or payable to any person or organization or for reimbursement of



Administrative Costs previously paid by CPS Energy to any person or organization in connection with the administration of the trust shall be submitted to the Trustee and will be effective so long as the Disbursement Certificate has been signed by two Authorized CPS Energy Representatives, one of whom must be the General Manager & CEO, Treasurer, or Assistant Treasurer subject to the following limits:

\$50,000 or less	Assistant Treasurer plus Authorized CPS Energy Representative
\$1,000,000 or less	Treasurer plus Authorized CPS Energy Representative
Over \$1,000,000	General Manager and CEO plus Authorized CPS Energy Representative

- (3) Payment of Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs. The Trustee shall pay Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs when a completed Disbursement Certificate, signed by two Authorized Representatives of CPS Energy as provided in Paragraph 2.2(2), is filed with the Trustee. The invoice or bill for such costs shall be attached to the Certificate, if such invoice or bill is available. The Trustee shall retain at least one copy of each Disbursement Certificate, including attachments, received pursuant to this Section 2.2. The Disbursement Certificate shall include the following:

- (i) the amount of money to be paid;
- (ii) the Fund or Funds from which payment is to be made;
- (iii) the purpose for which the obligation to be paid or reimbursed was incurred and whether the payment is of Decommissioning Costs, Pre-Shutdown Decommissioning Costs, Spent Fuel Management Costs, or Administrative Costs; and
- (iv) the party to which the payment shall be made.

Except for disbursements for Administrative Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs, no disbursements or payments from the Funds shall be made by the Trustee unless the Trustee has first provided thirty days prior notice of such disbursement or payment to the NRC and the Trustee has not received written notice of an objection from the NRC Director, Office of Nuclear Reactor Regulation, by the later of (1) the date that is thirty days after the giving of such notice, or (2) the date of disbursement.

- (4) Payment of Administrative Costs. The Trustee shall pay Administrative Costs from the Master Trust (TCC Funded) in accordance with the same procedures and subject to the same limitations applicable to payments of Decommissioning Costs set forth in Paragraph 2.2(3).

- 2.3 Adjustments for Erroneous Contributions. The Trustee and CPS Energy understand and agree that if any Decommissioning Contributions made by TCC to any Fund from time to time is found by TCC to be made in error, upon verification of TCC setting forth the amount of the Erroneous Contribution, such Erroneous Contribution (together with any income accrued thereon as determined by TCC) shall be returned to TCC as specified in a Certification to the Trustee. If the Erroneous Contribution has been made as a result of a Decommissioning Contribution by TCC, CPS Energy and the Trustee shall cooperate in providing an accounting of the Erroneous Contribution to TCC and to the PUCT.

- 2.4 No Transfers Between Fund Accounts. There shall be no commingling of the initial Decommissioning Contribution or any subsequent Decommissioning Contributions received from TCC, or any earnings thereon, with any funds received from any other source, including, without limitation, directly or indirectly from any ratepayers other than TCC ratepayers. The Trustee and CPS Energy further understand and agree that no transfer of monies is to occur

between the Fund Accounts except when explicitly indicated by a Certificate of CPS Energy that such transfer is necessary to effectuate the purposes of the Master Trust (TCC Funded). Notwithstanding the foregoing, upon completion of a Certificate of CPS Energy, Trustee shall be directed to make a reallocation of funds within the Master Trust pursuant to PUCT Order in Docket 35786 and make such additional transfers as are subsequently directed by order of the PUCT, if any.

2.5 Designation of Funds. Upon: (a) the initial contribution to the Master Trust (TCC Funded); (b) the remittance of subsequent contributions to the Master Trust (TCC Funded) pursuant to Section 2.1; (c) any disbursements from the Master Trust (TCC Funded) for Decommissioning Costs, Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs pursuant to Section 2.2 or for Administrative Costs pursuant to Section 3.1 or Paragraph 4.1(1); or (d) any adjustment to the Funds pursuant to Sections 2.3 or 2.4, CPS Energy shall designate, by Certificate, the appropriate Fund Account(s) to be credited or debited by such contribution, disbursement, or adjustment, and the Trustee shall credit or debit the appropriate Fund Account(s) in accordance with such Certificate.

2.6 Distribution of Income.

(1) Generally. The Trustee shall not be precluded from pooling Decommissioning Contributions received for each of the Fund Accounts for investment purposes and may treat each Fund Account's Decommissioning Contributions as having received or having accrued a ratable portion of the Master Trust (TCC Funded) income in any year. However, all such contributions and income (and investments of such) must be reported separately on individual account statements for each Fund Account. No pooling of the

Funds with any other funds controlled by the Trustee or to which the Trustee has access shall be allowed.

- (2) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the provisions of Section 113.102 of the Texas Trust Code.
- (3) Transfer of Income to Principal. As of the end of each accounting year of the Master Trust (TCC Funded) as defined in Section 6.8, the income of the Master Trust (TCC Funded), for purposes of all subsequent accounting years, shall be transferred and shall be incorporated into the principal of the Master Trust (TCC Funded).

2.7 Transferability of Interest. The interest of CPS Energy in the Master Trust (TCC Funded) is not transferable by CPS Energy involuntarily nor is it subject to the claims of creditors of CPS Energy; provided, however, that CPS Energy and/or any creditor of CPS Energy for which a Disbursement Certificate has been properly completed and submitted to the Trustee by CPS Energy may assert a claim, in court or otherwise, directly against the Master Trust (TCC Funded) in an amount not to exceed the amount specified on such Disbursement Certificate, if the Trustee does not disburse the amount of funds covered by the Disbursement Certificate within 90 days of its receipt by the Trustee. Nothing herein shall be construed to require a transfer of all or a part of CPS Energy's interest in the Master Trust (TCC Funded) upon sale of all or a part of CPS Energy's ownership interest in the Plant. Should a sale of all or a part of the CPS Energy-acquired interest in the one or more Units be consummated, the Fund Account(s) established for such Unit or Units shall be distributed as provided in Section 2.10 of this Agreement.

2.8 Irrevocability and Termination of Master Trust (TCC Funded). Subject to the right of the parties to amend this Agreement as provided in Section 2.11, this Master Trust (TCC Funded) shall be

irrevocable and will terminate (in whole or in part) upon receipt by the Trustee of a Certificate from CPS Energy stating the extent of the termination and (i) that the decommissioning of the Plant or one of the Units has been completed; (ii) that the NRC has terminated the licenses of one or both Units; or (iii) that CPS Energy has disposed of all or a part of its ownership interest in one or both Units of the Plant.

2.9 Termination of Funds of Master Trust (TCC Funded). One or more of the Funds which are the subject of this Master Trust (TCC Funded) shall terminate upon the following:

- (1) final payment of all Decommissioning Costs and/or Administrative Costs associated with one or both Units;
- (2) termination of the licenses of one or both Units by the NRC; or
- (3) the disposition by CPS Energy of all or a part of the CPS Energy-acquired interest in one or both Units.

2.10 Distribution of Master Trust (TCC Funded) Upon Termination. Upon partial or complete termination of this Master Trust (TCC Funded), the Trustee shall assist, if necessary, in liquidating the assets of the Master Trust (TCC Funded), and thereafter distribute the then-remaining assets of the Master Trust (TCC Funded) (including accrued, accumulated, and undistributed net income) to the extent of the termination less final Administrative Costs to CPS Energy. CPS Energy will account for and pay all Decommissioning Costs, Pre-Shutdown Decommissioning Costs and Spent Fuel Management Costs, and provide an accounting of such costs and payments to the PUCT. In accordance with 16 Tex. Admin. Code §25.303(f)(5), any excess funds remaining in the Master Trust (TCC Funded) after payment of all Decommissioning Costs and Administrative Expenses shall be returned to TCC for refund to customers or other disbursement as ordered by the PUCT. In the event that the PUCT or a successor agency fails to issue an order with respect to any remaining funds, such funds shall be

returned to TCC or its successor for refund to TCC's retail customers with notice to TCC or its successor regarding its obligation to refund such funds.

2.11 Alterations and Amendments. The Trustee and CPS Energy understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purpose of this Master Trust (TCC Funded), including, but not limited to, amendments necessary to comply with requirements of the NRC, amendments consistent with qualifying income from trust investments as tax exempt under the Internal Revenue Code, amendments necessary to comply with orders from the PUCT, or other amendments not inconsistent with the use of trust funds solely for decommissioning purposes as provided herein. CPS Energy may at any time amend in whole or in part any or all of the provisions of this Agreement by an instrument in writing duly acknowledged and delivered to the Trustee; provided, however, that no such amendment (i) which affects the rights, duties, responsibilities or immunities of the Trustee may be made without its consent, or (ii) shall be effective if it shall cause this Agreement or any party hereto to violate or no longer be in compliance with 16 Tex. Admin. Code §25.303.

2.12 Notice Regarding Disbursements or Payments. Except for: (i) payments of ordinary Administrative Costs (including taxes) and other incidental expenses of the Master Trust (TCC Funded) (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the Master Trust (TCC Funded), (ii) withdrawals being made under 10 CFR 50.82(a)(8), (iii) adjustments for Erroneous Contributions pursuant to Section 2.3 hereof, (iv) transfer of monies between the Fund Accounts in accordance with Section 2.4 hereof (pursuant to a Certificate of CPS Energy that such transfer is necessary to effectuate the purposes of this Master Trust (TCC Funded)), and (v) payment of Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs, no disbursement or payment may be made from the trust until written notice of the intention to make a disbursement or payment has been given to the Director,

Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, at least 30 working days before the date of the intended disbursement or payment. The disbursement or payment from the Master Trust (TCC Funded) may be made following the 30-working day notice period if no written notice of objection from the Director, Office of Nuclear Reactor Regulation, or the Director, Office of Nuclear Material Safety and Safeguards, as applicable, is received by the Trustee or CPS Energy within the notice period. The required notice may be made by the Trustee or on the Trustee's behalf. No such notice is required for withdrawals being made pursuant to 10 CFR 50.82(a)(8)(ii), including withdrawals made during the operating life of the plant to be used for decommissioning planning. In addition, no such notice is required to be made to the NRC after decommissioning has begun and withdrawals are being made under 10 CFR 50.82(a)(8).

- 2.13 Disbursements or Payments for and Account of Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs. Following reallocation of funds in accordance with Section 2.4 and pursuant to PUCT Order in Docket 35786 only Pre-Shutdown Decommissioning activities may be paid for from the South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund and only Spent Fuel Management activities may be paid for from the South Texas Project Units 1 & 2 Spent Fuel Management Fund; and Pre-Shutdown Decommissioning Costs or Spent Fuel Management Costs may not be recovered from any other funds or accounts that are part of the Master Trust (TCC Funded). Amounts held in the South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund and the South Texas Project Units 1 & 2 Spent Fuel Management Fund shall not be counted toward minimum funding amounts for Decommissioning established in NRC regulations. In the event that funds remain in either the South Texas Project Units 1 & 2 Pre-Shutdown Decommissioning Fund or the South Texas Project Units 1 & 2 Spent Fuel Management Fund following completion of all Pre-

Shutdown Decommissioning activities or Spent Fuel Management activities, such funds may be designated by CPS Energy via Certificate to the Master Trust (TCC Funded) for Decommissioning Costs and used for Decommissioning activities until those funds are exhausted. Any further distribution of funds upon completion of all Decommissioning, Pre-Shutdown Decommissioning or Spent Fuel Management activities is subject to the limitations in Section 2.10.

### **ARTICLE 3 TRUST MANAGEMENT AND ADMINISTRATION**

3.1 Management Duties. To the extent authorized or required by 16 Tex. Admin. Code §25.303, CPS Energy, acting in its capacity as Fund Administrator, by and through their respective Authorized Representatives as specified in Paragraph 1.1(3), shall oversee the investments of the Master Trust (TCC Funded) and perform all duties attendant thereto, including, but not limited to, (a) the direction of the investment of assets of the Master Trust (TCC Funded), (b) the preservation and protection of any interests of the Master Trust (TCC Funded) and its assets, (c) the appointment of Investment Manager(s), who may include the Trustee, who are independent and outside of the administrative control of CPS Energy, who shall make day-to-day decisions regarding investments of the Master Trust (TCC Funded) consistent with the applicable laws and regulations governing such Master Trust (TCC Funded) investments, and (d) the execution of whatever contracts, agreements, or other documents it deems necessary to manage the Funds of the Master Trust (TCC Funded). CPS Energy may retain the services of such professional advisors, legal counsel, and administrative support as it deems necessary to carry out its responsibilities as Fund Administrator. The reasonable fees and/or compensation for any such assistance CPS Energy requires to fulfill its Fund Administrator obligations may desire to retain shall be regarded as Administrative Costs payable in accordance with Section 2.2.



3.2 Duties of Administration. Subject to the terms and provisions of this Agreement CPS Energy shall administer the Master Trust (TCC Funded) in accordance with 16 Tex. Admin. Code § 25.303 and perform all duties herein and therein specified. CPS Energy will not challenge the authority of the PUCT to enforce its rules that shall be adopted from time to time with respect to the collection, investment and use of the funds provided by TCC customers for decommissioning of the CPS Energy-acquired interest in STP Unit No. 1 or the CPS Energy-acquired interest in STP Unit No. 2.

3.3 Evaluation of Trustee and Investment Manager(s). CPS Energy shall evaluate the performance of the Trustee and any Investment Manager(s) annually and submit a written report to the CPS Energy Board of Trustees. The report shall include, at a minimum:

- (1) A finding, with supporting analysis, as to whether the current Trustee and Investment Manager(s) should be retained or replaced;
- (2) A justification for the use of one or more Investment Manager(s) (if applicable); and
- (3) An itemized accounting of the Master Trust (TCC Funded) administration expenses and their basis, and all other expenditures from the Master Trust (TCC Funded).

At least once every five (5) years, CPS Energy shall evaluate potential substitute Trustees and submit a report to the CPS Energy Board of Trustees. This report may be combined with the annual report described above and shall include, at a minimum:

- (1) A description of CPS Energy's attempts to solicit proposals from other firms which can perform the trust duties; and
- (2) An evaluation of at least three (3) organizations which could potentially replace the current Trustee.

Notwithstanding the paragraph above, CPS Energy shall not be required to solicit proposals to replace a Trustee(s) that, in the judgment of CPS Energy is performing adequately and has served as Trustee for less than five (5) years.

3.4 Limitations on Actions. The Trustee shall not take any action or participate in any transaction which would violate the terms and conditions of any Certificate provided by CPS Energy pursuant to Section 3.5 so long as the terms and conditions of the Certificate are consistent with this Agreement.

3.5 Instructions to Trustee. All orders, directions, requests, instructions and Certifications to the Trustee shall be in writing, signed by two Authorized Representatives (one of which, in the case of CPS Energy, must be the General Manager & CEO or the Treasurer or Assistant Treasurer as applicable). The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of CPS Energy has occurred. The Trustee shall have no duty to act in the absence of such orders, directions, requests, instructions, and Certifications from CPS Energy.

3.6 Texas Trust Code Controls. To the extent specified by 16 Tex. Admin. Code § 25.303, the Texas Trust Code shall control the administration and management of the Master Trust (TCC Funded).

#### **ARTICLE 4 TRUSTEE**

4.1 General Powers. The Trustee shall hold all property of the Funds in trust in the Master Trust (TCC Funded). Except to the extent greater than the powers of trustees under the Texas Trust Code or inconsistent with 16 Tex. Admin. Code § 25.303 or the terms of this Agreement, the Trustee shall have, with respect to the Master Trust (TCC Funded), the following powers, all of which are to be exercised in a fiduciary capacity and in the best interests of CPS Energy, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall

determine. The Trustee shall have a continuing duty to review the trust portfolio and to inform CPS Energy and any Investment Manager if, in the Trustee's opinion, any investment is not an Eligible Investment or is not in compliance with the Investment Guidelines. The Trustee, Investment Manager, or anyone else directing the investments made in the trust shall adhere to the Investment Guidelines provided by CPS Energy.

- (1) Payment of Administrative Costs. To pay all Administrative Costs as defined in Paragraph 1.1(1), but only upon written authorization of CPS Energy. The Trustee acknowledges that the total Trustee and investment manager fees paid on an annual basis by CPS Energy, or authorized to be paid by CPS Energy, from the trust for the entire portfolio including commingled funds shall not exceed 0.7% of the entire portfolio's average annual balance, or such other amount as is permitted by 16 Tex. Admin. Code § 25.303(e)(2)(B).
- (2) Registration of Securities: To register and to hold in trust any bonds, securities, and/or other property in the Funds in the name of the Master Trust (TCC Funded) or to deposit or arrange for deposit of any securities issued by the U. S. government, or any agency or instrumentality thereof, in trust in book entry form with a Federal Reserve Bank; provided, however, that at all times the books and records of the Trustee show that all such securities are part of the Master Trust (TCC Funded).
- (3) Receipt of Money. To collect and receive any and all money or other property due to the Master Trust (TCC Funded) or any fund and to give full receipt therefor.
- (4) Resolution of Claims. To commence or defend suits or legal proceedings, to protect any interest of the Trustee, providing such action has been previously approved by CPS Energy and, with the permission of CPS Energy, to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal.

- (5) Location of Assets. To hold any property belonging to the Master Trust (TCC Funded) at any place in the United States with the prior approval of CPS Energy.
- (6) Retention of Professional Services. To execute any of the powers under this Agreement and to perform the duties required of it hereunder by or through its employees, agents, attorneys, or receivers, except as limited by Section 4.1 (10) of this Trust Agreement. Any costs and expenses of its employees and agents or any costs and expenses associated with the retention of professional services by the Trustee shall be borne by the Trustee.
- (7) Powers of Trustee to Continue Until Final Distribution. To exercise any powers after the date on which the principal and income of the Master Trust (TCC Funded) shall have become distributable and until such time as the entire principal and income of the Master Trust (TCC Funded) shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust (TCC Funded) will occur as soon as possible upon termination of the Master Trust (TCC Funded), subject, however, to the limitations contained in Sections 2.9 and 2.10.
- (8) Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Agreement, provided, however, that the Trustee may not do any act or knowingly engage in any transaction which would:
- (a) contravene any provision of this Agreement; or
  - (b) violate the terms and conditions of any instructions, Certifications, or other directions provided by CPS Energy.
- (9) Texas Trust Code. To exercise all rights, powers, options and privileges now or hereafter granted to, provided for or vested in Trustees under the Texas Trust Code, except to the extent inconsistent with the terms of this Agreement, 16 Tex. Admin. Code § 25.303 or other applicable law. As far as possible, no subsequent legislation or revelation shall be

in limitation of the rights, powers, options or privileges granted to the Trustee under this Agreement or in the Texas Trust Code as it exists at the time of the execution of this Agreement or any subsequent amendment.

- (10) Subcustodians. To provide Trustee, custodial and subcustodial services for all investments of the Funds, either directly or through its affiliates or divisions, unless the Trustee has obtained the prior written approval of the CPS Energy to use another entity as a subcustodian or subtrustee. Notwithstanding the above, without the prior written approval of CPS Energy the Trustee may entrust property of the Funds to national or regional depositories or clearing agencies such as the Depository Trust Company and Federal Reserve Banks provided that (1) the property is held in an account which contains only property held by the Trustee as custodian or trustee for its customers; (2) the property is separately identified on the books of the Trustee as being held in its capacity as Trustee of the Master Trust (TCC Funded); and (3) the property so held is subject only to the instructions of the Trustee, which in turn shall be subject to the provisions of this Agreement.

Notwithstanding the foregoing, however, the restrictions of 16 Tex. Admin. Code § 25.303(e)(2)(A)(i)-(v) shall apply.

- 4.2 Designation and Qualification of Successor Trustee(s). CPS Energy has the power to appoint the Trustee and all successor Trustees for the Master Trust (TCC Funded). CPS Energy by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole Trustee. The Trustee shall act in accordance with the directions and Certifications provided to it by CPS Energy under the terms of this Agreement. The Trustee shall be removed and replaced with a successor Trustee as provided below:

- (1) In the event that the Trustee then serving shall: (a) relinquish or suffer a revocation of its authority to act as a fiduciary; (b) become insolvent or admit in writing its insolvency; (c) be unable or admit in writing its inability to pay its debts as such debts mature; (d) make a general assignment for the benefit of creditors; (e) have an involuntary petition in bankruptcy filed against it; (f) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation, law, statute or proceeding; or (g) be subject to receivership under the authority of the Federal Deposit Insurance Corporation or the Comptroller of the Currency, the Trustee shall automatically be replaced and shall immediately transfer and pay over to such successor Trustee the monies and assets then constituting the Master Trust (TCC Funded) and its Funds to a successor Trustee appointed by CPS Energy.
- (2) In the event that the Trustee then serving shall fail to meet the financial criteria and qualifications set by CPS Energy from time to time, CPS Energy may immediately remove the Trustee upon written notice delivered to such Trustee and the Trustee shall immediately transfer and pay over to such successor Trustee the monies and assets then constituting the Master Trust (TCC Funded) and its Funds to a successor Trustee appointed by CPS Energy and in accordance with any instructions contained in a Certificate of transfer issued by CPS Energy.
- (3) In any instances other than those described in Sections 4.2 (1) and (2) CPS Energy shall have the right to remove the Trustee then serving at any time and for any or no reason and appoint a successor Trustee upon thirty (30) days notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In these instances, the successor Trustee shall accept its appointment to serve as Trustee of this Master Trust (TCC Funded) by executing a written and acknowledged acceptance delivered to CPS Energy, which acceptance shall also specify the date on which the successor Trustee will

assume administration of the Master Trust (TCC Funded), at least ten (10) business days before such appointment. CPS Energy shall provide a copy of this acceptance to the Trustee then serving. The Trustee then serving, on the effective date of the transfer, shall assign, transfer and pay over to such successor Trustee the monies and assets then constituting the Master Trust (TCC Funded) and its Funds.

- (4) Any successor Trustee shall have all the rights, powers, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as Trustee hereunder.

- 4.3 Resignation. The Trustee or any successor Trustee may resign at any time by written notice which shall be delivered to CPS Energy not less than ninety (90) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to CPS Energy. CPS Energy, shall appoint a successor Trustee effective as of the effective date of the resignation, and the Trustee then serving shall assign, transfer and pay over to such successor Trustee the monies and assets then constituting the Master Trust (TCC Funded) and its Funds.

If for any reason the CPS Energy cannot or does not act in the event of the resignation of the Trustee, the Trustee then serving may apply to a court of competent jurisdiction for the appointment of a successor Trustee. Any reasonable expenses incurred by the Trustee in connection with the appointment of a successor Trustee by the court shall be deemed to be Administrative Costs payable in accordance with Paragraph 4.1(1).

- 4.4 Merger of Trustee. Any corporation into which the Trustee may be merged or with which it may be consolidated, any corporation to which Trustee transfers all or substantially all of its trust business or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, shall be the successor Trustee under this Agreement without the necessity of

executing or filing any additional acceptance of this Agreement or the performance of any further act on the part of any parties hereto.

4.5 Compensation. The Trustee shall be entitled to compensation from the Master Trust (TCC Funded) per the fee schedule set forth in its entirety in Attachment C. This fee schedule is guaranteed for a period of five (5) years. The fee schedule may be revised upon mutual agreement of CPS Energy and the Trustee at the end of this period, subject to the reasonableness requirements of PUCT Substantive Rule 25.303(e)(1)(C)(i). All Trustee fees shall constitute Administrative Costs, shall be billed by the Trustee on a quarterly basis and shall be forwarded to CPS Energy at the address provided in Section 8.5.

4.6 Maintenance of Fund Accounts. The Trustee shall maintain a separate Fund Account for each Fund established under Section 1.4 of this Agreement to account for Decommissioning Contributions made to each Fund Account, all income and other increments earned in each Fund Account, and disbursements from each Fund Account subject to the provisions of Section 2.5.

4.7 Account Statements. The Trustee shall present financial statements to CPS Energy on a monthly basis (within ten (10) business days following the end of each month), or at such other frequency as CPS Energy shall from time to time require. The financial statements shall show (a) the financial condition of the Master Trust (TCC Funded), including, without limitation, beginning and ending Fund balances, all contributions, investments, income received, disbursements made (including Administrative Costs) and all other transactions hereunder, for the statement period; (b) a description of all securities and investments purchased and sold, with the cost and net proceeds of such purchases or sales; and (c) all cash, securities and other property held by each Fund Account at the end of the period and providing a valuation of such property at such period end. All accounts, books and records relating to the Master Trust (TCC Funded) and the Fund



Accounts shall be open at all reasonable times to inspection by CPS Energy or by any other person designated by CPS Energy. The financial statements of the Master Trust (TCC Funded) shall be audited not less frequently than annually by a firm of independent certified public accountants engaged by CPS Energy.

Within thirty (30) days following the close of the Master Trust (TCC Funded)'s accounting year as defined in Section 8.8, the Trustee shall prepare and furnish to CPS Energy a written report setting forth with respect to each Fund beginning and ending Fund balances, all contributions, investments, receipts, disbursements and other transactions effected by it during the preceding accounting year, including a description of all securities and investments purchased and sold, with the cost and net proceeds of such purchases or sales, showing all cash, securities and other property held by each Fund Account at the end of the year and providing a valuation of such property at such year end.

Within sixty (60) days following the removal or resignation of a Trustee as provided in Sections 4.2, 4.3 and 4.4, the Trustee shall prepare and furnish to CPS Energy and to any successor Trustee a written report containing all of the information required for accounting year-end statements with respect to the period from the close of the previous accounting year to the date of removal or resignation.

Copies of all records relating to the Master Trust (TCC Funded) and each of the Fund Accounts shall be maintained by the Trustee until the termination of the Master Trust (TCC Funded) and distribution of all of the assets of the Master Trust (TCC Funded) (even if the Trustee is not then serving as Trustee). Such copies may be maintained on microfilm or microfiche.

- 4.8 Liability. The Trustee shall be liable for the acts, omissions or defaults of its officers, employees and agents. Unless the Trustee participates in or undertakes to conceal an act or omission of CPS

Energy or an Investment Manager(s), knowing such act or omission to be a breach of the Agreement by CPS Energy or the fiduciary responsibility of an Investment Manager(s), the Trustee shall be under no liability by reason of any action taken or not taken by it in accordance with any Certification or other writing of CPS Energy or any Investment Manager(s), provided such directions and/or instructions contained in a Certification or other writing are necessary and proper to effectuate and carry out the purpose of the Master Trust (TCC Funded) and the powers granted under this Agreement or any Investment Management Agreement. In any event, the Trustee shall be under no liability for any loss of any kind by reason of changes in value of the authorized investments purchased, sold, or retained by CPS Energy or any Investment Manager(s), nor for the risk or diversification of the portfolio, nor for the turnover of the investments.

The Trustee is prohibited from doing any act or engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate or other writing of CPS Energy, or contravening any provision of this Agreement. Upon receipt of notice of either (a) instructions and/or Certifications of CPS Energy to the Trustee, or (b) acts or transactions CPS Energy believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions and/or Certifications of CPS Energy, and/or cease and desist from the acts or transactions identified in such Certification or writing as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions and/or Certifications of CPS Energy, or continues with any act or transaction identified in such Certification or writing as violating the provisions of this Agreement, from the date of receipt of the Certification or writing providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee shall be liable for all consequences resulting from such failure. Notwithstanding the foregoing, the Trustee shall be liable for all consequences resulting from

any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by CPS Energy, and as of the date of such violation.

## ARTICLE 5 THE FUND ADMINISTRATOR

5.1 General Powers. In its role as Fund Administrator, CPS Energy shall have, with respect to the Master Trust (TCC Funded), the following powers and duties:

- (a) In General. To perform the duties of Fund Administrator set forth in this Master Agreement and 16 Tex. Admin. Code § 25.303.
- (b) Retention of Professional Services. To execute any of the powers hereof and perform the duties required of it hereunder by or through its employees, agents, attorneys or receivers.
- (c) Designation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as CPS Energy may deem to be advisable.
- (d) Powers of Fund Administrator to Continue Until Final Distribution. To exercise any such powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal of, and income from, the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Master Trust, subject, however, to Sections 2.12, 2.8 and 2.9.
- (e) Discretion in Exercise of Powers. To do any and all other acts, not inconsistent with 16 Tex. Admin. Code § 25.303, which the Fund Administrator shall deem proper to effectuate the powers specifically conferred upon it by this Agreement.

- 5.2 Compensation. CPS Energy, in its role as Fund Administrator, shall be entitled to compensation as permitted under PUCT regulations. Such compensation shall constitute an Administrative Cost and shall be payable from or reimbursable by the Master Trust.

## **ARTICLE 6 INVESTMENTS AND INVESTMENT POWERS**

- 6.1 Appointment/Removal/Resignation of Investment Manager(s). CPS Energy may direct the investment of all or a specified portion of the Master Trust (TCC Funded); provided, however, that day-to-day decisions regarding investments of the Master Trust (TCC Funded) shall be made by one or more independent Investment Managers. Additionally, CPS Energy may appoint one or more Investment Managers by separate agreement meeting the requirements of PUCT Substantive Rule 25.303, to direct the investment of all or a specified portion of the Master Trust (TCC Funded). CPS Energy shall provide written notice of any appointment of an Investment Manager(s) to the Trustee. The Investment Manager(s) shall certify in writing to CPS Energy and the Trustee that it is qualified to act in the capacity provided under an Investment Management Agreement, shall accept its appointment as Investment Manager in writing, shall certify the identity of the person or persons authorized to give instruction or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under an Investment Management Agreement executed by it and CPS Energy. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the Investment Manager(s), as the case may be.

CPS Energy shall also have the right to remove any appointed Investment Manager. In the event that an Investment Manager should resign or be removed, CPS Energy shall appoint an Investment Manager to manage the portion of the Trust previously managed by said Investment

Manager pursuant to the provisions of this Trust unless the Trustee is notified of the appointment of another Investment Manager with respect to such portion.

6.2 Investment Direction by Investment Manager(s). Any Investment Manager(s) appointed by CPS Energy to manage all or a specified portion of the Master Trust (TCC Funded) shall have authority to manage and direct the acquisition and disposition of the assets of all or a specified portion of the Master Trust (TCC Funded) over which it has designated investment authority. Only investments specified in Paragraph 6.4(e) of this Master Trust (TCC Funded) are authorized trust investments. The Funds shall be invested solely in Eligible Investments, regardless of whether the Trustee or an Investment Manager is making the investment decision. The Investment Manager(s) shall have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of Fund securities directly with brokers or dealers. The Trustee, upon proper notification from an Investment Manager, shall have the authority to, and shall execute, settle and deliver in accordance with the appropriate trading authorizations. Written notification of the issuance of each authorization shall be given promptly to the Trustee by the Investment Manager(s), and the Investment Manager(s) shall cause the execution of such order to be confirmed in writing to the Trustee by the broker or dealer.

The authority of any Investment Manager(s) and the terms and conditions of the appointment and retention of any Investment Manager(s) shall be the sole responsibility of CPS Energy. Any duty of supervision or review of the acts, omissions or overall performance of any Investment Manager(s), other than those necessary and proper to effectuate and carry out the purpose of the Master Trust (TCC Funded) and powers granted under this Agreement or any Investment Management Agreement, shall be the exclusive responsibility of CPS Energy. The Trustee shall have no duty to make suggestions to any Investment Manager(s) or to CPS Energy with respect

to the exercise of or the failure to exercise any power by the Investment Manager(s), except that the Trustee shall have the duty to review any securities or other assets purchased by any Investment Manager(s) to ensure compliance and conformity with investment restrictions as provided in Paragraph 6.4(e) of this Agreement and/or any of the relevant investment provisions of any Investment Management Agreement between CPS Energy and any Investment Manager.

- 6.3 Trustee's Investment Powers. The Trustee acknowledges and recognizes the authority of the Investment Manager(s) to manage and to direct the investment and reinvestment of the assets of the Master Trust (TCC Funded) as provided in Sections 3.1 and 6.2 of this Agreement and/or pursuant to an Investment Management Agreement executed between CPS Energy and an Investment Manager(s). The Trustee agrees to cooperate with CPS Energy and/or the Investment Manager(s) as necessary to facilitate the exercise of these powers. CPS Energy directs the Trustee, without further written authorization by CPS Energy, to invest cash balances on a daily basis in interest-bearing, fully collateralized accounts, or other investments as provided for in Section 6.4(e), until directed to do otherwise by CPS Energy and/or an Investment Manager.

- 6.4 Investment Manager Powers. An Investment Manager shall have the following investment management powers, all of which are to be executed in a fiduciary capacity and in the best interest of CPS Energy and in compliance with PUCT Substantive Rule 25.303:

- (a) Preservation of Principal. To direct the investment of the assets of the Master Trust (TCC Funded) in a manner designed to maximize and preserve the income and principal of the Master Trust (TCC Funded) for the purposes of the Master Trust (TCC Funded). The funds should be invested with a goal of earning a reasonable return commensurate with the need to preserve the value of the assets of the trusts.

- (b) Prudent Investment Practices. In keeping with prudent investment practices, the portfolio of securities held in the Master Trust (TCC Funded) shall be diversified to the extent reasonably feasible given the size of the trust.
- (c) Level of Risk. Asset allocation and the acceptable risk level of the portfolio should take into account market conditions, the time horizon remaining before the commencement and completion of decommissioning, and the funding status of the trust. While maintaining an acceptable risk level consistent with the goal in subparagraph (a) of this paragraph, the investment emphasis when the remaining life of the liability (the weighted average of years between the given year and the years of each decommissioning outlay, where the weights are based on each year's expected decommissioning expenditures divided by the amount of the remaining liability in that year), exceeds five years should be to maximize net long-term earnings. The investment emphasis in the remaining investment period of the trust should be on current income and the preservation of the fund's assets.
- (d) Investment Selection. In selecting investments, the impact of the investment on the portfolio's volatility and expected return net of fees, commissions, expenses, and taxes should be considered.
- (e) Investment of Funds. To direct the investment and reinvestment of all or part of the Funds, including any undistributed income; provided, however, that no investment or reinvestment of the Funds may be made or directed unless such investment is an authorized investment under 16 Tex. Admin. Code § 25.303(e), and by relevant NRC regulations and guidance, including the current revision of NUREG-SR1577, "Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance," as they may be amended from time to time, and in compliance with the City Public Service South

Texas Project Decommissioning Trust Investment Policy, Appendix B, Master Trust (TCC Funded) (Attachment D). Furthermore, the Funds may not be invested in any securities issued by CPS Energy, the City of San Antonio, any of its agencies, or any utility that has ownership of nuclear generating capacity. In all cases, however, the total investments must be sufficiently liquid to enable the Master Trust (TCC Funded) to fulfill the purposes of the Master Trust (TCC Funded) and to satisfy obligations as such obligations become due.

(f) Management of Master Trust (TCC Funded).

(1) To direct the sale, exchange, conveyance, partition, or other disposition of all or any part of the Master Trust (TCC Funded), at public or private sale, on such terms, in such manner and at such prices as an Investment Manager shall determine;

(2) To direct the modification, renewal or extension of bonds, notes or other obligations or any installment of principal or any interest due thereon and the waiver of any defaults in the performance of the terms and conditions thereof;

(3) To direct and authorize the Trustee to make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments in connection with these powers, at such times, in such manner and on such terms and conditions as an Investment Manager may deem expedient to accomplish the purpose of the Master Trust (TCC Funded) as set forth in Section 1.3; and

(4) To direct and authorize the Trustee to renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Master Trust (TCC Funded), for as long a period or periods of time and on



such terms as an Investment Manager shall determine; and to direct and authorize the Trustee to adjust, settle, compromise, and arbitrate claims or demands in favor of or against this Master Trust (TCC Funded), on such terms as an Investment Manager may deem advisable.

(g) Disposition of Investments. When required to make any distributions under Section 2.2 or Section 4.1(1), the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, but only as directed by an Investment Manager in writing. The Trustee shall have no liability, except for its own negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by an Investment Manager or made at the direction of an Investment Manager through a broker/dealer.

(h) Self-Dealing. Notwithstanding anything contained in this Agreement to the contrary, an Investment Manager may not authorize any sale, exchange or other transaction which would constitute an act of "self dealing" within the meaning of Sections 113.052 and 113.053 of the Texas Trust Code, as it may be amended from time to time.

## **ARTICLE 7 SUBJECT TO PERIODIC REVIEWS OF THE PUCT**

7.1 Authority. The Trustee and CPS Energy acknowledge that the Fund Accounts which are the subject of this Agreement are subject to periodic reviews of decommissioning costs and Nuclear Decommissioning Trust Funds as provided for in 16 Tex. Admin. Code § 25.303(f), as it may be amended from time to time.

7.2 Reports. The Trustee and CPS Energy will cooperate in producing such reports as are required by the PUCT regarding the amount, status and investments of the Fund Accounts which are the

subject of this Agreement as required by 16 Tex. Admin. Code §25.303, as it may be amended from time to time.

- 7.3 Cooperation. CPS Energy and the Trustee agree to cooperate in any TCC filings with or accounting to the PUCT associated with the Decommissioning Collections, or the investment or use of Decommissioning Funds which are the subject of this Agreement.

## ARTICLE 8 MISCELLANEOUS

- 8.1 Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

- 8.2 Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company, or corporation.

- 8.3 Interested Parties. Each of CPS Energy and TCC shall have the right and power to enforce any and all provisions of this Master Trust (TCC Funded) Agreement in a court of competent jurisdiction. Nothing expressed or implied in this Agreement is intended or shall be construed to confer on, or to give to, any person or corporation, other than CPS Energy, TCC, and the Trustee, any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein, except as provided for in Section 2.7. To the extent authorized by order of the PUCT, CPS Energy shall be entitled to receive payments for Decommissioning Costs and Administrative Costs of the Master Trust (TCC Funded), which CPS Energy may incur in carrying out the purpose set forth in Section 1.3 of this Agreement.

8.4 Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid, illegal or unenforceable, the application of such provision to persons and in circumstances other than those to which it is invalid, illegal or unenforceable and to the other provisions of this Agreement shall not be affected by such invalidity, illegality or unenforceability.

8.5 Delivery of Notices Under Agreement. Any notice, communication or billing for Trustee's fees required by this Agreement to be delivered to CPS Energy or any notice, certification or communication to the Trustee shall be deemed to have been delivered when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to CPS Energy:

City Public Service  
145 Navarro  
P. O. Box 1771  
San Antonio, Texas 78296-1771  
Attention: Treasurer

If to the Trustee:

Frost National Bank  
Retirement Services Division  
P.O. Box 2950  
San Antonio, Texas 78299-2950  
Attention: City Public Service South Texas  
Project Decommissioning  
Master Trust (TCC Funded)

CPS Energy or Trustee may change its address by delivering notice in writing to each of the other parties.

8.6 Successors and Assigns. Subject to the provisions of Sections 2.7, 4.2, 4.3, 4.4 and 5.2, this Agreement shall be binding on and inure to the benefit of CPS Energy, the Trustee and their respective successors and assigns. This Agreement may not be assigned to any other party in whole or in part without the prior written consent of CPS Energy, and in the case of CPS Energy acting as the Fund Administrator, compliance with 16 Tex. Admin. Code § 25.303. Except as provided in Section 4.1 (10), the duties of the Trustee may not be delegated by the Trustee without the prior written consent of CPS Energy.

- 8.7 Governing Jurisdiction. This Agreement is a Texas trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws of the State of Texas as if executed in and to be wholly performed within the State of Texas.
- 8.8 Accounting Year. The Master Trust (TCC Funded) shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.
- 8.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures were on the same instrument.
- 8.10 Financial Accounting of Trustee. Any bank serving as the Trustee of the Master Trust (TCC Funded) shall provide quarterly financial statements on the financial condition of the bank and shall also submit evidence to the CPS Energy Board of Trustees that the bank is satisfying the capital reserve requirements established by the Federal Reserve.
- 8.11 Effective Date. This Decommissioning Master Trust (TCC Funded) Agreement is effective October 1, 2006.

IN WITNESS WHEREOF, CPS Energy and the Trustee have set their hands and seals to this Agreement this 14<sup>th</sup> day of January, 2009.

CITY PUBLIC SERVICE

Attest:

Milton B. Lee ME 1

Milton B. Lee

General Manager & CEO

David C. Jungman

David C. Jungman

Assistant Treasurer

By:

Paula Y. Gold-Williams

Paula Y. Gold-Williams

Treasurer

FROST NATIONAL BANK (as Trustee)

Attest:

STEVEN A. KLEIN

Name: STEVEN A. KLEIN

Title: VICE PRESIDENT

By:

GREGORY P. DREIER

Name: Gregory P. Dreier

Title: Executive Vice President

## ATTACHMENT A

### DECOMMISSIONING TRUST DISBURSEMENT CERTIFICATE

#### INSTRUCTIONS

This certificate is required for decommissioning or administrative costs actually incurred by CPS Energy and paid or payable to any person or organization or for reimbursement of decommissioning or administrative costs previously paid by CPS Energy to any person or organization in connection with the decommissioning of the applicable plant or the administration of the Master Trust (TCC Funded).

#### AUTHORIZATIONS

**The certificate shall be submitted to the Trustee and must be signed by two authorized representatives of CPS Energy, one of whom must be the General Manager & CEO or the Treasurer if the disbursement is for decommissioning costs; and one of who must be the General Manager & CEO, Treasurer or Assistant Treasurer if the disbursement is for administrative costs and subject to the following limits:**

**\$50,000 or less – Assistant Treasurer plus Authorized CPS Energy Representative**

**\$1,000,000 or less – Treasurer plus Authorized CPS Energy Representative**

**Over \$1,000,000 – General Manager and CEO plus Authorized CPS Energy Representative**

Except for disbursements for administrative costs, no disbursements or payments from the funds shall be made by the Trustee unless the Trustee has first provided thirty days prior notice of such disbursement of payment to the NRC and the Trustee has not received written notice of an objection from the NRC Director, Office of Nuclear Reactor Regulation, by the later of (1) the date that is thirty days after the giving of such notice, or (2) the date of disbursement.

#### DECOMMISSIONING FUND DISBURSEMENT REQUIRED INFORMATION

- Amount of money to be paid. \_\_\_\_\_
- Funds from which payment is to be made. \_\_\_\_\_
- Purpose for which the obligation to be paid or reimbursed was incurred. \_\_\_\_\_
- Indication as either decommissioning or administrative costs. \_\_\_\_\_
- The party to which the payment shall be made. \_\_\_\_\_

#### AUTHORIZATION

**At least one of these individuals must sign.**

<div style="border-bottom: 1px solid black; margin-bottom: 10px; display: flex; justify-content: space-between;"> <span></span> <span></span> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;"> Milton B. Lee  General Manager and CEO </div> <div style="width: 15%; text-align: center;"> Date </div> </div> <div style="border-top: 1px solid black; margin-top: 20px; display: flex; justify-content: space-between;"> <div style="width: 80%;"> Paula Y. Gold-Williams  Chief Financial Officer &amp; Treasurer  Executive Vice President - Finance </div> <div style="width: 15%; text-align: center;"> Date </div> </div>	<div style="border-bottom: 1px solid black; margin-bottom: 10px; display: flex; justify-content: space-between;"> <span></span> <span></span> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;"> David C. Jungman  Senior Director - Finance  Assistant Treasurer </div> <div style="width: 15%; text-align: center;"> Date </div> </div> <div style="border-top: 1px solid black; margin-top: 20px; display: flex; justify-content: space-between;"> <div style="width: 80%;"> Authorized CPS Energy Representative </div> <div style="width: 15%; text-align: center;"> Date </div> </div>
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The support must first be reviewed and approved by a designated person in Cash Management.

For CPS Use Only

	Invoices Received from 3rd party	Date: _____	Initial: _____
	Invoices Received from authorized parties	Date: _____	Initial: _____
	Invoices Sent to Frost	Date: _____	Initial: _____